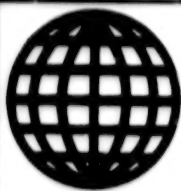


JPRS-UEA-90-001  
18 JANUARY 1990



**FOREIGN  
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# ***JPRS Report***

# **Soviet Union**

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***Economic Affairs***

# Soviet Union

## Economic Affairs

JPRS-UEA-90-001

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18 January 1990

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Anti-Monopoly Law Recommended

904A0101A Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 49, Dec 89 p 7

[Article by O. Amurzhuyev, candidate of Economic Sciences, and V. Tsapelik, scientific associate of the TsEMI [Central Economic-Mathematical Institute] of the USSR Academy of Sciences: "How To Conquer the Dictation of the Monopolist"]

[Text] Under the conditions of centralized distribution of resources, when each enterprise is instructed to whom, what, in what quantity and in which periods to supply, the number of enterprises producing a certain type of goods was not so important for the consumers.

With the introduction of the Law on the State Enterprise (Association), the rights of enterprises to form a production program, and sell finished products were expanded. They have new guidelines, and there is great interest in profit and income, but the striving to stabilize and even reduce the production volumes has grown even stronger. The exceedingly high level of concentration and monopoly in production that has recently formed plays no small role here.

According to the data of USSR Gosnab, the country now has about 2000 enterprises which are the sole producers of a certain type of product, that is, absolute monopolists. This calculation was made according to the reference numbers on the products list of USSR Gosnab. If you consider all 25 million descriptions of goods, it appears that most of the enterprises and associations are the sole producers of a certain specific type of product in their region.

The monopolist-enterprises have now obtained the possibility of legally exerting influence on their consumers. The usual means for market monopolies are becoming the vogue—overpricing (which is particularly characteristic of the sectors of the processing industry with rapid updating of products), deterioration of the quality with

unchanged prices, stabilization and reduction of the volumes of production without loss in revenues and profits. There are also our primitive methods of dictation—demands for exchanges in kind for short supply, payments of freely convertible currency, supplies in dismantled and incomplete form.

Today the problem of the monopolization of the economic system is coming into one of the top places among the numerous obstacles on the path from natural distribution to commodity-market relations.

What will be the result of the exclusive position of the monopoly producers in the economic system? Here is what was characteristic in the course of the last contractual campaigns (in addition to the negative phenomena already listed above): refusals to conclude contracts to supply products; demands to draw in the material and labor resources of the consumer to fulfill the production program of the supplier; demands for ahead-of-schedule payments for the supplies (enforced commercial credit), substituting one type of product for another; supply "with an obligation" (forcing the consumer to take a product he does not need).

In all these cases, the consumers, who have no possibility of choosing the suppliers, try to fulfill any requirements of the monopolists and do not complain about their illegal actions to arbitration authorities because of the fear of being completely deprived of the supply of the necessary product.

Today we are attempting to find the root of the commodity shortage, which has become "the talk of the town." In our opinion, one of these roots is precisely the high level of production monopoly. Without expanding activity and without increasing the output of goods, the monopolist is striving to increase his revenues through raising prices, "washing away" the inexpensive assortment and lowering the quality.

No studies were made of the level of monopoly in the USSR until recently. We made a few inquiries at USSR Gosnab in connection with the conversion of a considerable number of descriptions of goods for production-technical purposes to direct unlimited orders. They are shown in the table.

**Distribution by Number of Producers of Goods Transferred to Direct Unlimited Orders**

Number of producers	Proportion of total number of reference numbers of goods (in percentages)				
	National economic complexes				
	Machine Building	Metallurgy	Chemical-timber	Construction	Social spheres
1-3	94.8	56.3	74.3	58.9	65.6
4-6	2.7	20.7	13.1	12.2	12.9
7 and over	2.5	23.0	12.6	28.9	21.5
	100.0	100.0	100.0	100.0	100.0
Number of reference numbers	5885	208	1225	90	256



It can be seen from the table that in the machine building complex, 94.8 percent of the reference numbers of the products list are produced by not over three producers (moreover, 87 percent of the descriptions are from absolute monopolists). This is an exceedingly high level, unprecedented in world practice.

Things are much worse with the production of specific types of goods in individual subsectors of industry (bearings, construction equipment, passenger vehicles, power semi-conductors).

World anti-monopoly practice has worked out a whole arsenal of means to determine the level of production monopoly and to combat it. In particular, clear-cut criteria of market monopoly have been worked out, in accordance with parameters such as the proportion of manufacturers in the total volume of output and sale of a certain specific product; the number of producers of identical commodities and others.

A great deal of time is being taken up in surmounting the monopoly structure of production in our country. This task is quite complex and delicate. The main thing is to keep the anti-monopoly policy from ultimately turning into a limiter of all the rights and freedoms of the enterprises.

Just what is it expedient to initiate in the near future to combat monopoly?

First of all, in our opinion, organizational monopolies must be eliminated—main administrations and other sectorial administrative associations. They will be replaced by free associations of producers, created on commercial principles. They will take on the functions of the abolished organizations, without which it is impossible to get along under the market conditions.

There should be a simultaneous reduction in the number of ministries. The enterprises will emerge from their jurisdiction, making the transition to leasing, and becoming cooperatives and joint stock-holding companies. The remaining ministries should be deprived of the functions of operating management of production, supply and sales.

After a careful analysis of the master plans of the administration, the production associations and enterprises with weak technological ties should, where possible and expedient, be broken up into smaller units. This pertains first of all to the light and food industry, as well as to certain other sectors producing consumer goods.

Recently, following the first three intersectorial state associations (Kvantemp, Energomash and Tekhnokhim), new concerns have begun to appear. It should be taken into consideration, however, that with their creation the degree of monopoly for some types of products is even increasing. Already the first concerns are absolute monopolists on many markets (for example, Kvantemp is the sole producer of catering elements for household equipment).

The demonopolization of the sphere of commodity circulation and the creation of parallel commodity structures are extremely important. The administrative associations of trade enterprises should be reformed, first of all—without competition in trade, there is no market. New associations of tradesmen are springing up, which will operate on commercial principles. An example of a new type of trade association may be, in our opinion, a voluntary association of commercial centers of USSR Gosstnab.

In order to prevent a new concentration of production and circulation, legal means of combating it must be worked out. For a start, an anti-monopoly program should be formed, which must be put into effect immediately. In the future, an anti-monopoly law is required, as well as a state anti-monopoly organ, which will work out and implement a policy directed toward creating the conditions for producers' competition.

There must be a system of measures to develop competition. Establishing parallel production structures, and using various forms of property (particularly joint stock-holding) should be given every possible encouragement. Competition for monopoly producers can be formed only by so-called nonspecialized production, created at large enterprises. This, however, requires that they are supported, and exempt from taxes, while being granted preferential credit.

### Quality Control Chief Vows to Dismantle Gospriyemka

904A0074A Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 46, Nov 89 p 18

[Interview with Valeriy Vasilevich Sychev, chairman of the USSR State Committee for Quality Control and Standards, by A. Nikolayev; date and place not given: "Solve All Problems in Favor of the Ship"]

[Text] *When will the quality of our production finally begin to increase? What happened to gospriyemka? Will the development of standards be placed in the hands of producers and developers themselves? Chairman of the USSR State Committee for Quality Control and Standards [Gosstandart], Valeriy Vasilevich Sychev, answers these and other questions for EKONOMICHESKAYA GAZETA readers.*

[Nikolayev] Valeriy Vasilevich, lively debates at the past session of the USSR Supreme Soviet revealed that you are one of those new ministers whose candidacy for appointment to a state post did not lead to lengthy quarrels or harsh, critical remarks on the part of USSR Peoples' Deputies. Possibly, this is connected with the fact that you have not previously worked in Gosstandart and you have a fresh point of view? What do you think are your positive and negative qualities?

[Sychev] I do not know if it is good or bad but wherever I worked I always was dissatisfied with myself. Even in 1971, leaving the post of general director of the central

scientific and industrial association "Vympel" for the USSR Council of Ministers State Committee, I did not think I was qualified to be deputy general director.

My work days last for 13-14 hours, on the average. I work long hours but do not require my subordinates to do the same. I demand only that they do their job well. If they complete their work in 3 hours, let them rest more for their health. I count on the decency and integrity of people; I trust those with whom I do business and, as a rule, I find persons having the same views.

[Nilolayev] How do your new subordinates relate to such a style of leadership?

[Sychev] I think they still do not know about this style. But they are already acquainted with another thing: my program. That is the main thing now. Especially since Gosstandart was previously always the stronghold of the administrative-command form of management. It was a stronghold because, for many years, it gave out commands and sometimes simply suppressed enterprises with its own State Standards [GOSTs]. Therefore, in my first days in the post of chairman, I talked with my deputies face to face and every one of them gave one and the same message and request: to prepare their suggestions according to the strategies and tactics for furthering the work of Gosstandart. When I met with the collective of associates of the State Committee, I told them about the second part of my statement at the session. (Regrettably, I was not able to present the complete text to the Peoples' Deputies because the time was limited). Briefly, this part amounts to the following.

- to transfer development of standards into the hands of designers, manufacturers and consumers and to create, at head enterprises, permanent technical committees on production forms (councils of partners enjoying equal rights—chief designers, manufacturers and consumers or customers), where the decisive word is—for the consumer;
- to work at increasing the scientific and technical level of normative-technical documentation (GOST, TU [technical requirements]). Today, alas, only 70 percent of the GOSTs on production forms match the world level and only 30 percent of TUs match the world level for specific products;
- we must arrange matters so that the standardization system permits use of international standards;
- basic problems in the area of metrology involve the increase of equipment for measuring, testing and monitoring and creation of new automated, programmed-retunable devices and devices built into technological processes and introduction of metrological expertise into major state projects and programs.

Regrettably, there is still one other important aspect: attestation and certification centers, where personnel working today in gospriyemka may be used completely, should replace gospriyemka. I promise that problems

concerning removal of gospriyemka from productions and enterprises which achieve stable output quality will be solved by our committee without bureaucratic red tape.

[Nilolayev] Valeriy Vasilevich, speaking of product quality, it would be wrong not to speak about the quantity of goods. Judging by shop counters, one gets the impression that we have stopped producing the most necessary goods which were readily available quite recently. How do you propose solving the problems of improving the quality of goods while increasing the quantity of goods at the same time?

[Sychev] In today's fatal triangle—quality, price and shortages—I give no preference to any one of these. We must seek optimal, compromise solutions. However, it is obvious to me that we cannot skimp on quality, for this would be too ruinous for the country. There is such an everyday thought: the sea does not like tricks; all problems must be solved in favor of the ship. Very often shipbuilders utter it when someone tries to set up equipment on a ship and, during this, ignores the characteristics of the ship as a floating entity. It is also impossible to fool around with quality. There are levers which, in my opinion, permit adoption of rational decisions in the face of today's shortages without sacrificing quality.

Take such a concept as retooling. It is common knowledge that labor collectives receive certain concessions in the form, for example, of preferential credits and other things for retooling. Therefore producers are interested in retooling production no less than consumers are. However, retooling is one matter and imitation of it for the sake of increasing prices of goods is an entirely different thing. But I am not maintaining that we apply the new technical condition for updating goods to a certain enterprise and the problem will be solved. We may treat those organizations which attempt to deceive the purchaser by the index indicators "N" [New] or "DTs" [Contract Price] in the same way.

We may take another direction. Let us say, do not refuse grief-collectives [as received—FBIS] approval of new technical conditions but record, under these conditions, one statistic: amount of output produced. This can be done and, I assume, must be done because the buyer needs both expensive and inexpensive goods. Lately, I became interested and took the GOST for soap. This GOST permits output of any soap, beginning with the cheapest up to the most expensive. Why? The conditions stipulate only the general requirements for soap. I admit that a GOST is not necessary for each specific kind of soap (otherwise we would have much too many GOSTs!) But, under technical conditions we must stipulate the amount of output produced.

Another problem is certification of production for the quality category. I think that associates of our committee must look more attentively for higher quality goods. I believe that some enterprises are attempting to reach this category of quality only in order to also inflate the prices

of goods and this is inadmissible, especially when there are so many shortages. We shall solve these and other problems in the immediate future. We shall seek help from Goskomtsen [State Committee on Prices] and Goskomtrud [State Committee for Labor and Social Problems]. Quality, you know, has stopped being an economic issue and has become a social issue.

[Nikolayev] You touched upon the problem of social category. How do you react to the fact that the same product, but of different quality, frequently is produced at enterprises for the same workers' wage?

[Sychev] This is wrong. I believe that our committee must introduce a scale for product quality. Suppose, during automobile production, someone scratches the body. What can be done? Reduce the quality indicator! And let this, in its turn, be reflected in the worker's salary and in the price of the article. Only in this way can we interest people in producing high quality output. However, we still have grades only for food products and light industry goods.

[Nikolayev] Who will control whether or not production of this or that quality is suitable at enterprises and in organizations?

[Sychev] Attestation and certification centers, which should base their work on the existing infrastructure, our State Committee and its republican and regional organizations. I have great hope for these centers. Here is why.

Life, for example, has shown that gospriyemka cannot correctly link the production process with quality. It is not enough to make a diagnosis; it is still necessary to be able to treat the disease. And science helps in treatment. It is no accident that the basic task of the USSR State Committee for Quality Control and Standards is to make it the state agency for working out scientific and technical policy in the management of quality control.

I sincerely believe that quality begins with technical planning and designing. Regrettably, more than once I had to deal with the fact that many directors of enterprises and specialists have not mastered how to use methods of standardization of quality, the most important indicator of reliability. Sometimes they do not know what thread to grasp in order to determine why the output of suitable goods in an overall consignment is small. For example, at one enterprise, they wondered for a long time why the necessary precision for processing articles was not being achieved. Then they called in specialists. "Thus, you have 50 meters of railroad. We may speak of 'accuracy' concerning this," the commission concluded.

Today my colleagues and I have greater plans. We are counting on scientists and competent specialists. However, I cannot say that quality is being achieved in all forms of production—the matter is national. Therefore, taking the opportunity, I want to appeal from the pages of this paper to all labor collectives and organizations

with the wish for more active introduction of progressive scientific and technical achievements.

### **Failure of Gospriyemka To Improve Quality Hinders Reform Effort**

904A0091A Moscow *SOTSIALISTICHESKAYA INDUSTRIYA* in Russian 30 Nov 89 p 1

[Article by Ye. Chernova, Moscow: "It Was Not Made a Part of the Economic Reform..."]

[Text] Yet another noisy campaign has ended in the era of perestroika—the campaign to inaugurate gospriyemka. De jure, this event occurred more than a month ago, when Decree No 901 of the USSR Council of Ministers, well-known in production circles, was published, but de facto, it was recognized in the all-union conference on problems of quality control, which was conducted by USSR Gosstandart. The main idea of the key document of the conference—an appeal to workers in the economy—is that gospriyemka needs to be removed immediately from enterprises that have achieved stable product quality. This temporary police measure can apply only as punishment to malicious and persistent producers of poor-quality products.

So, the Gordian knot has been cut, the opponents of gospriyemka have won. But, recalling the seething resentment in the conference room (a majority of those present were supporters of gospriyemka), and reading the mail, which has not dropped off, I feel it necessary to discuss these painful issues once again in order to try to win over those who are angry.

I will begin with the main proposition of advocates of gospriyemka—at present, there is no competition, there is no market, the flow of substandard products cannot be stopped. The only protection against it, the only barrier, if you like, is the state acceptance department. The arguments would appear to be beyond dispute. But this is only apparent. The trouble in fact is that gospriyemka cannot become a reliable barrier. Numerous examples were given at the conference of how its personnel have been unable to prevent the production of rejects. For example, the Voroshilovgrad Production Association "Machinebuilding Plant imeni Lenin" was ordered to manufacture production lines for making little sausages. The developer—one of the subdivisions of the MNTK "Rotor"—issued the technical assignment, which had not been properly cleared with the consumer. And, of course, all the defects in the design cropped up as soon as the first experimental prototypes were produced. V. Eglit, director of the local gospriyemka, sounded the alarm, but he was unable to prevent these machines from being put into series production. The developers apparently put pressure on Gosstandart, and the latter actually removed Eglit from the effort to monitor the machines.

As a consequence, 25 (!) lines for which many meat combines had been waiting were manufactured. But alas, when they realized that the lines simply did not fit into



the shops, that essentially they did not mechanize anything, they threw up their hands. Now this story is being repeated with production lines to make needles for nonreusable syringes.

Or another extreme. Yu. Khazanov, deputy general director of the Moscow PO "Voskhod," a firm that is unique in our time (in the 20 years it has operated it has received only one complaint, and that for a few kopecks), became upset that gospriyemka refused to pass school notebooks. It was refusing because it was not sure how far the bottom line should be from the bottom of the page—5 mm or 6.

What do these cases indicate? That gospriyemka cannot control true quality, quality as such. It either enforces the letter of GOST's or technical specifications, or—in those cases when the instruction is silent, the state inspectors become involved in refined departmental games. And often these games have only a remote relevance to the problems of quality.

There is also another popular argument. Among gospriyemka personnel it has become almost like a saying—the conflictive nature of our department, they say, is imposed by its very nature, by the fact that its exactingness contradicts the interests of producers. Again, this is true only at first glance. In fact, it is not gospriyemka that contradicts the interests of production personnel, but the imperfect standards and the entire domestic system for the setting of standards that arouse the dissatisfaction of collectives. But before gospriyemka was inaugurated, they could simply ignore the requirements of GOST's, which sometimes were absurd, but now they have to abide by them unswervingly. F. Pavlenko, director of the Aleksandriya Power Machine Plant, told a very typical story. All of his shop chiefs were loudly demanding that gospriyemka be abolished and that they make the transition to personal quality stamps. He agreed. But when it came right down to it, not a single shop gave up gospriyemka. "What do we need with one more unnecessary headache?" the chiefs said to justify themselves. "Now I submit the product to gospriyemka, and that is the end of it. Whether it has defects or not, I am no longer accountable for it!" So there you have it. Instead of having an educative effect, gospriyemka has ultimately demoralized the producer by taking away what little accountability he previously had to the consumer.

Gospriyemka was also done a disservice by certain ministries when to make it easier on themselves they began to inaugurate it at the worst enterprises, those that had been fined, rather than at the best ones. Another reason for anger, additional social tension in collectives. And I simply will not discuss the difference in wages between gospriyemka personnel and the personnel of the OTK.

But the main reason, of course, is that gospriyemka simply was not made a part of the economic reform. Every economy gets the product quality it deserves, and quality can be improved only by improving the economy

itself. All the principal measures of the reform are directed precisely toward liberating the producer, motivating him concerning the results of his work. Only gospriyemka seems like a foreign and archaic measure.

But it is not gospriyemka's fault that the level of product quality has not risen over the last 3 years. The drop in quality indicates only that the economic reform itself did not contain the necessary incentives. It is on economic levers and material incentives that the new leadership of USSR Gosstandart has placed its emphasis.

Its present chairman, V. Sychev, has a clear program of action based on principle. It consists of only three points—product certification, certification of production, and reform of the system for setting standards. But those points are components of the quality control system. We will be frank, there are more than enough skeptics of V. Sychev's conception.

Take product certification. The country is not ready for it. There are hardly more than a dozen product certification centers. One of them, in Donetsk, has been in existence only a few years and is poorly equipped. And in all those years it has issued one...or two certificates. The centers do not have regular information about the attainments of foreign firms, and they check products at random. What is more, there is no guarantee that the centers will preserve their virginity in issuing certificates, that attempts will not be made to bribe their personnel. And the main thing is that so far our certificates are not recognized in the world. I put the question to V. Sychev:

"Valeriy Vasilyevich, do you not feel that certification in our country is either altogether doomed to fail or, as many say, is premature?"

"No, I do not think so. But this must be a process discrete in time. There are enterprises that are yearning to get on the external market. Certification is simply indispensable for them. For instance, the director of one plant told me that the Italians had decided to buy their continuous coal miners. But without a certificate they cut the price in half. Then the director rushed to a West German center, paid 25 percent of the value of the miners, and received a certificate, and sold the machines for the full price.

"There are not many such enterprises, but their number will grow, and ultimately they will begin to set the tone. We intend to introduce even mandatory certification—for safety. Beginning next year, we will apply it to foodstuffs, household electrical appliances, and children's toys. Even the centers of defense ministries will be checking products. But even in the civilian sector the most progressive production people are now making a vigorous study of how similar centers operate abroad. Interesting experience is being gained by Minstankoprom, permanent contacts are being organized with the West German firm TYuF. Personnel are being trained, information is being exchanged.... In future, it will be possible to rely on all this.

"The danger of bribery? Yes, I have above all been afraid of this. But we have envisaged huge fines for every certificate issued unjustifiably.

"It will be no simple matter to review 22,000 domestic standards. But this process is already taking place. The goal is that our standards must be simple to understand, convenient to use, and they must be compatible with international standards of ISO and the International Electrical Equipment Commission.

"However it might seem, Gosstandart has found true levers for quality control. But the guarantee of success depends above all on the robustness of the reform itself. It will be profitable for the plant to produce and for trade to sell: in time, of course, quality will have to improve."

It will not be easy for V. Sychev to realize his ideas. Gospriyemka directors were outspoken in their unfriendly reception to his program. They literally set upon its chairman in a body when from the speaker's stand at the conference he defended the reform of quality control. (This seems to be the first time that the custodians of standards have allowed themselves a liberty of that kind.) You can accuse them of conservatism and narrow-mindedness as much as you like, but these people also have to be understood. Their main fear: Where are they going to work now? The chairman's report stated: regional authorities of Gosstandart will soon be turned into certification centers. They will be staffed precisely with former gospriyemka personnel. And then gospriyemka itself, after all, is being eliminated as such. It will be instituted temporarily at plants paying fines, and it will operate there until quality becomes stable. State monitoring will become the duty of the regional authorities. So that on the whole the problem of job placement has been solved. But the bad taste remains—these people did honest work, and they believed in their necessity. Will they be able to change their convictions tomorrow? Will they not turn into skeptics and petty critics hampering the reform? This danger exists.

I am enumerating all the negative aspects only so that the reader will understand how difficult it will be for the reformers. But the strategy which they are proposing—which has been approved by the entire world, is economically knowledgeable and is indispensable to us all.

### Selyunin Explains 'Black Holes' in Economy

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[Article by Vasily Selyunin: "Black Holes in the Economy"]

[Text]

1

The collapse of trade is doubtless the most typical and dangerous sign of the times. Not a single living soul knows what commodity will disappear from the counters tomorrow or next week. I visited relatives in Kirov

Oblast. My fellow countrymen are diligently stocking up salt and matches, like before the war. The oblast newspaper explained that the storehouses are full of these goods and there will be even more. They read an article over the radio. Near the bus station in the village of Filipovo, I noticed an old woman with a bag of salt. I asked why she needed so much. Apparently my interlocutor took me for some kind of chief about to take away her booty and she gave me some nonsense about feeding the salt to her cow. A passerby intervened: "What are you bothering this person for? You ought to listen to the radio, where they said plainly that there will be nothing in the stores." If things keep going this way, it may be that it will not be unusual to meet a lone traveler on the roads of our fatherland with a heavy weight acquired in case of need.

We have only a matter of months to get control of the situation. When these lines go to the printed sheet with its delightful smell, much will have been cleared up. Let us hope I am all wrong with my forecast but for now things are not going well and the gulf between the volumes of money and commodities in the consumer market is widening.

In this sense, 1988 was a fateful year. They planned to increase the average monthly wage of workers and employees by 4 rubles but actually it rose by 14 rubles. Multiply the increase by 12 months and multiply the result by 117.5 million workers and you have almost 20 billion additional rubles. Beyond that, the average monthly wage of kolkhoz workers increased almost four times faster than planned and other payments were also increased. An avalanche of money hit the consumer market.

At first glance it held up to this pressure admirably: in 1988, the population was sold 25 billion rubles more in goods than the year before. With pride they reported to us a record commodity turnover. Of course! In 1986 and 1987 taken together, receipts from the sale of goods increased by 17.3 billion and here all at once it was 25 billion, or more than 300 rubles per family of four. In such a distribution, life ought to improve noticeably but we consumers did not perceive this. So something is not right here.

To begin, let us clarify the source of the increase in the commodity turnover. Publicists are accustomed to writing that our light industry got in the habit of producing unfashionable goods. There are plenty of shoes per capita but no one will put them on. Mountains of clothing have been accumulated but buyers are looking for foreign jeans and are paying as much for them as for a decent transistor radio. Relax, this is not happening any more; we successfully took care of this sore. They are devouring everything from the store shelves—old and fashionable merchandise and expensive as well as cheap goods. In the last 3 years, commodity stocks in trade have declined by about 17 billion and today they are

below standard for many items. It is not at all good when trade is working from the wheels—today they get rid of pots, tomorrow jackets.

Still, the selling off of stocks can explain only a small part of the increase in the commodity turnover. The rise in retail prices has become the inexhaustible source of the increase in receipts. Let us take a closer look at this phenomenon. The sale of meat and meat products in state and cooperative trade increased by 5 percent last year. Wonderful, is it not? But the increase is not measured in terms of kilograms but in rubles received. Meanwhile, the average purchase price went up by 4 percent. It turns out that the quantity of products sold increased by only 1 percent. And since the population grew by that same 1 percent, per-capita sales stayed at the previous level, the only difference being that you and I have begun to pay more. The mechanism of this little trick is simple: just transfer sausage, for example, from state to cooperative stores and the price will double. In the case of meat products, by the way, their sales have at least not declined. The situation is less favorable with other commodities.

Let us take clothing, underwear and cloth. The average prices for purchases in this commodity group rose by 10 percent in the past year. If exactly as many goods were sold as a year earlier, receipts would also have increased by 10 percent. But they increased by only 4 percent. Accordingly, the sale of clothing and underwear in pieces and of cloth in meters declined by about 6 percent over the year. Footwear increased in price by 8 percent, making it possible to increase receipts despite a reduction of sales in kind by 4 percent. In 1988, 268,000 more refrigerators were produced than in 1990 but 313,000 fewer were sold. These appliances were sold abroad, whereas domestically they raised the price and receipts increased. Sales of sugar, margarine, potatoes, fruits, cameras, motorcycles, passenger cars and lumber declined so much last year that it was not possible to cover the loss in receipts even through higher prices. Overall three-fourths of the annual increase in the commodity turnover is explained by a rise in average retail prices.

What really increased on the store counters is vodka. In the affirmation of the budget for 1988, they planned to reduce receipts from the sale of distilled spirits by 11.5 billion rubles. In fact, they increased by 3 billion rubles. In the first quarter of the current year, to the glory of the budget that was not yet dry, the sale of vodka increased by a factor of almost 1.4! Sometime, probably, economic historians will include a description of this ingenious maneuver in their readers. Under the pretext of the campaign against drunkenness, they doubled the price for vodka and simultaneously reduced sales of spirits. Incredible lines formed and speculation took on unprecedented proportions. When discontent reached a peak, the authorities met the legitimate interests of the broad masses of drinkers: they say that there has been enough humiliation of the Soviet individual through lines. You and I are delighted: go ahead and drink—I do not care to.

The financiers are delighted: treasury receipts from vodka will double in comparison with those prior to the increased prices. We are already easily in first place among 28 developed countries in the consumption of strong beverages. Expenditures for them consume 13 percent of the family budget, compared with 1.5 percent in the United States, for example. In the final analysis, the campaign against drunkenness amounted to a smaller consumption of hors d'oeuvres. I am not going to assert that everything was planned this way but in the economy, after all, it is not intentions but results that count.

As we see, unhealthy factors were the source of the record increase in the commodity turnover in 1988: the selling off of stocks, galloping prices and the inebriation of customers. But not even through these severe measures was it possible to pump out the money issued to the population. Still another record was set. In the 1970's, deposits in savings banks increased by an average of 11 billion rubles annually. In the first half of the 1980's, the annual increase was 13 billion and then deposits really took off: last year alone they increased by 30.6 billion. Let us again try to analyze these figures. It is useful to approach an economic phenomenon like an unknown person: we take a good look at him, favorably or, if that does not work, unfavorably. It may be that it is not a bad thing that savings are increasing, just as they sing in the advertisement: I accumulated a pile of money, did I buy up everything needed? No, it does not work that way no matter how much we want.

What is behind the deposits? In 1960, 10.9 billion rubles were in savings books, whereas commodity stocks in trade were evaluated at 24.5 billion. If depositors had suddenly put their savings into circulation, there not only would have been enough goods for all but there would have been a choice. A decade later total deposits and the value of stocks were equal, that is, they were supplied but just once. At the end of last year, deposits increased to almost 300 billion, whereas commodity stocks declined to 81 billion rubles. It is not difficult to calculate that only a little more than one-fourth of the considered savings are covered by some kind of goods; the other three-fourths are supported by the honorable and noble word of the state and nothing else.<sup>1</sup>

Thus, the annual increase in monetary incomes was large enough for two records at the same time: to pay for an unprecedented fictitious increase in the commodity turnover and for an unprecedented increase in empty deposits to savings banks. This same amount of money had to be printed so that there would be enough for everything. The rate of emission is almost unimaginable: twice as much paper money was issued in 1988 as in 1987 and four times as much as they printed on the average in the last five-year plan. Such a deterioration of the ruble has not been observed since wartime.

A new wave of money has now come down on the consumer market. Last year the average monthly wage of workers and employees increased from 203 to 217



rubles, which, as already mentioned, was not supported by an increase in the volume of goods. In the first quarter of the current year, the average wage jumped to 234 rubles. It is growing 10.4 times faster than foreseen by the plan for the year, whereas the wages of kolkhoz workers is increasing 5 times faster. It is understandable that the average figures are just that. The situation is worst of all for salaried persons, pensioners and other people with a fixed income: there is almost no increase in their money and the purchasing power of the ruble is diminishing.

All signs indicate that the previous records will be exceeded by far: even if the processes do not accelerate, the commodity turnover will grow fictitiously by a minimum of 31 billion rubles and deposits in savings banks will increase by 43 billion. "The uncontrollable increase in the incomes of the population is continuing. We again had to resort to the emission of money," declared the minister of finances sadly.

## 2

Retail prices increased by 8 percent last year. Some American Sovietologists raise that figure to 15-20 percent. It is unpleasant, what can you say, but this is not the main problem. After all, there are countries where inflation is measured in tens of percent and they get along all right. Here the inflationary processes have taken on the most threatening form. The stores are catastrophically empty and frequently goods cannot be bought at any price.

We have everything at stake. The bony hand of commodity hunger is fully capable of strangling perestroika and with it our hopes for a better lot. It is not some incorrigible reactionary but everyday life itself that is suggesting to us clearly: you wanted perestroika? Go ahead and eat it from empty store counters with spoons of the size that they will be under full communism. Learned people also cannot fail to notice the link between the reforms in the economy and the commodity-money imbalance. Hence the idea: if the previous conditions of management with all their shortcomings did not produce such consequences, then should we not return to them? For a time, of course, for a time! In this connection, our leading economist L. Abalkin worked out a detailed plan: set aside the economic reforms for 3 or 4 years and during this time get hold of the situation and normalize finances through extraordinary measures and then, under favorable conditions, gradually improve the economic mechanism, with the intention of concluding this work by about the year 2000. In the newspaper PRAVITELSTVENNYY VESTNIK (No 3, 1989), the academician writes: "The situation impels us to turn back to the command system."

The idea made the rounds. Another academician, V. Seminikhin, heaping praise on his colleague, develops his thought: "In the transition stage, under the conditions of unbalanced industry in the economy as a whole, it is possible to straighten up the economy in a very short

time only through the centralized planning of a list of products but not arbitrarily and, of course, not in the 'Stalinist' and not in the 'Brezhnev' interpretation...." The author proposes planning not only production of final output under state orders but also "deliveries of all products and materials necessary for its production." Here it is appropriate to speak not of a return to the command-administrative system but of its further deepening and of making it universal. It is precisely in this spirit that important directives have been adopted in recent months (they will be discussed later).

The question is whether the command system is capable of stabilizing the situation in the economy and of resolving the most urgent task today, that of normalizing finances? Let us not guess but turn to history. As strange as it may seem the answer to these questions will be positive. The current planning administration basically developed in the 1930's. At that time, there were two opposing tendencies in operation in the consumer market: the situation with respect to the money volume had to develop in one direction and that of the volume of goods in the opposite direction. It was the period of industrialization. As is clear from the word itself, industry developed in an accelerated high-priority manner and the resources for it were taken from agriculture. In industry itself, the emphasis was on heavy industry to the detriment of branches working directly for man. As a result, in the total volume of production there was an abrupt decline in the share of consumer goods and fewer and fewer of the most important commodities were produced. The consumer market languished.

And what was happening with money during that time? Tens of millions of people were shifted from agriculture to industry, construction and transportation. The number of workers and employees doubled between 1929 and 1932. These people began to live on wages. The volume of cash had to increase many times over. The consequences are well known: a price spiral, lines and the rationing of consumption. All of this happened but the inflationary processes were not as catastrophic as should have been expected. The financial system simply had to collapse, just as it fell apart in the period of "war communism" (when the volume of money was measured in quadrillions and millions of notes were printed on little better than packing paper). Historians long ago noticed the similarity of the economic models of "war communism" and the 1930's. In one case, however, the financial collapse took place and in the other it did not. The difference is fundamental: the collapse of finances always means the ruin of the economy as well, since the state of the monetary turnover accurately reflects the state of the economy. Still, the financial system of the period of industrialization held up to the test.

This phenomenon needs to be explained. The finances and therefore the economy were saved by a very great discovery of the regime: the poverty of the masses can be a source of the might of the state. Just as per-capita consumption can conceivably be raised either through



an increase in the necessities of life or through a reduction of the number of souls, it is not mandatory to expand the production of goods to have commodity-money balance. We can achieve the same objective without putting money into people's hands.

The state practiced unpaid labor extensively. In its classic form, it is camps. Prisoners in camps doubtless made up the majority of builders and goldminers and a large share of coal miners and lumberjacks.... They did not receive a wage and thus did not present it for provision with goods. There were, of course, outlays for them but the reproduction of manpower was less expensive because it was not necessary to keep them in a normal condition—it was sufficient to exhaust the resources of the human organism given by nature. When the bodily reserves were at an end, the outlays of the treasury for the upkeep of the individual naturally also ceased. To replace those who left for a better world, new special contingents arrived under the rules of the extended reproduction of manpower.

At that time, rural inhabitants made up more than two-thirds of the population. Working on kolkhozes "for sticks," the rural workers also essentially received no money. They were allowed to feed themselves through labor on private plots in their free time. Furthermore, to pay money taxes, the peasants were forced to sell part of the output of the private plots at markets. They siphoned off a considerable portion of the wages of city dwellers and turned it over to the treasury. Thus, the huge majority of the country's population (peasants plus prisoners) did not have the effrontery to put pressure on the consumer market through money income for the basic reason that they had nothing with which to apply that pressure. This is why the financial system held up to the severe test.

It follows from our analysis, by the way, that commodity-monetary balance alone is not necessarily a good thing for the individual. Today it does not exist and yet we live better than before the war, when goods and money were more or less in equilibrium.

If these humanitarian considerations are translated into financial and economic categories, then this will be the picture. The national income created in the sphere of physical production includes wages and, in a manner of speaking, an add-on (profit and rent). It has been noted that in most countries the share of wages is quite stable and ranges between 60 and 80 percent of total income. So it was here as well before the beginning of the accelerated industrialization. In industry in 1928, for example, wages amounted to more than 58 percent of the total national income produced in industry. Subsequently this share declined and by the close of the Stalin era, in 1950, it had fallen to 33.4 percent. In other words, a person labored only one-third of his working time directly for himself. In that same period, just like pebbled leather, the share of consumer goods in the total

volume of production shrank. The processes balanced each other out, which also guaranteed a relative stability of the monetary system.

Of course the situation was not the same for 60 consecutive years. There were ups and downs—from a collapse of the monetary turnover in the wartime years (with is quite easily explained) to a perceptible improvement of finances (the 1950's were the best period in this connection). But the general trends were maintained right up to the current collapse of the market. Thus, historical experience teaches: yes, the command system is capable of maintaining stable finances and is capable of preventing a gap between the monetary and commodity volumes but exclusively through the directive planning of an impoverished standard of living. When it prevails the inevitable extreme inefficiency of the economy does not greatly hinder the achievement of the ambitious goals of the state and its claims to world leadership for the reason that it has been possible (at least until recently) to compensate for what was wasted in poor management through a reduction of the share of the working people in the produced output.

To be sure, we are told that it is true that the money income of the population is still not high but the prices for necessary goods are maintained at a low level thanks to state subsidies. Such a category of expenditures is practically nonexistent in the treasury of developed countries and products, for example, are more expensive there than they are here. But what, in general, does expensive or inexpensive mean? Compared with what? In a political economic sense, it is one and the same thing to say that wages are low or prices are high. The honest way to determine low or high costs is to count how long one has to work to buy some commodity or other (if, of course, it is for sale). Using such a measure, meat costs our worker 10-12 times as much as an American, poultry 18-20 times as much, butter 7, eggs 10-15, bread 2-8 times as much, etc. Even payment for equivalent housing is much higher here.

There is also the following superstition: true, a person labors for himself only one-third of his working time but this does not say anything, for quite a large share of what is taken away is returned to the working people through public consumption funds. But here they are far larger than in other countries—remember the free education, health care, pensions and other privileges. But the economist A. Zaychenko recently published these estimates: in the United States and most countries of Western Europe, a larger share of national income than here goes to public consumption funds. Note, share. The absolute sums are simply incomparable. Thus, America, with a smaller population, expended \$178.6 billion dollars for education in 1985 and we spent 37.9 billion rubles. For health care, the figures were 174.8 and 20, respectively, and for social security and insurance they were 458.3 and 61.1, respectively.

Such is the practice in a command economy. Those who are calling for us to return to it for the sake of the

normalization of finances are essentially proposing that the collapse be prevented at the expense of the working people, for the planned system has known no other means, does not and will not know any. And even if one supposes that the current difficulties are the result of renouncing it, there is still no salvation in the past. In all probability, we somehow have not fully renounced the old ways and in the very process of perestroika we did something wrong and made some fatal mistakes. These mistakes must be found without fail and then, having corrected them, it will be possible to move forward and not backward. But here I must return to the beginning of perestroika.

## 3

In April 1985, new people took over the leadership of the country. They knew the sore points of the economy and, in contrast to their predecessors, told of the true situation frankly and honestly. Let us appreciate their courage. It was a more difficult matter to come up with a positive program, with an answer to the age-old question: What should be done? Initially perestroika did not put forward any fundamentally new constructive ideas. I would call its initial stage a period of technological romanticism.

The course of thinking was simple. We lagged behind in scientific-technical progress. Revolutions in this sphere are coming in wave after wave. In developed countries, the greater part of fixed production capital is renewed every 7 to 10 years. They squeeze everything out of technology, transform it and establish a new generation of equipment. We do this every 20 to 25 years, whereby the new technology often differs little from the old. One cannot obtain up-to-date output from such equipment. Therefore, the key question is the reequipping of the national economy.

The baseness of life, however, consisted in the fact that there could be no thought of reequipping all branches in a short time, in 5 years or so. That branch of industry that provides the implements of labor, that is, machine building, had a rather wretched existence. It was therefore decided to dedicate an entire five-year plan to the reequipping and accelerated development of machine building so that in subsequent periods this renewed and strengthened branch can provide the national economy with sufficient up-to-date equipment. "In short, the task of uplifting Soviet machine building is a main direction in our development and it must be pursued firmly now and in the future," declared M.S. Gorbachev in June 1985.

Quite broad plans were adopted in this sense. It was necessary to press an entire epoch of development of domestic machine building into a short stretch of time. But it is not just a matter of quantity; they proposed that in 1990 90 percent of the output produced by the branch must meet world standards. With respect to productivity and reliability, all of the newly assimilated equipment

must exceed the output then produced by a factor of 1.5 to 2. World practice has not known such breakthroughs.

But this is by no means all. At the June (1986) Plenum of the CPSU Central Committee, M.S. Gorbachev outlined the work ahead. "We have recently undertaken significant measures in key questions in the development of the economy. I have in mind the decrees on the fundamental reconstruction of metallurgy and the further application of chemicals in the national economy..." The report of N.I. Ryzhkov at the 27th Congress states: "...particular attention will be paid to the fuel and energy complex." But there is still the agrarian sector, forestry, transport—and everything is urgent.

Colossal sums of money were needed for this program. "Where can we get them?" pondered M.S. Gorbachev at the imposing meeting in June 1985. "The basic answer is this: the planned measures to accelerate scientific-technical progress must pay for themselves. They are being carried out to raise labor productivity and hence to accelerate the growth of national income. But this requires a certain amount of time and the means are needed at once. Here there is no getting around maneuvering with resources, concentrating them in key directions." They decided to nearly double capital investments in machine building and their total sum in the entire national economy was set at a trillion rubles. To reach this figure, it was necessary to resort to an extreme measure, to increase the low share of savings in utilized national income, reducing the share of consumption accordingly.

It was a major decision but in general it was rather customary for us. And the entire way of thinking was traditional. For more than three decades in my official position, I have observed how our economic plans arise and I join in their discussion in my modest capacity as a newspaperman. The same story is being repeated in the preparation of the next five-year plan. Authoritative planners are registering our backwardness in key branches of the economy and are drawing what would seem to be a logical conclusion: we will become a third-rate power (an Upper Volta with missiles; let us exert ourselves a little, tighten our belts a bit more and catch up with the leading countries in a priority branch, in short, let us get past an unpleasant period and then, in the following five-year plans, we will have excellent opportunities to raise the standard of living. That is how it went. But only the priorities were changed. At first it was thought that the main thing is to catch up with and surpass everyone in the world in the production of metal and the extraction of fuel. We achieved that and still the economy is backward. Then N.S. Khrushchev accused the planners of peering on steel blinders and of not seeing the fact that no one in the world is any longer measuring the level of development by the production of metal—chemicals are the standard. So let us apply chemicals. But now, it turns out, machine building is given priority—it will quickly pull us out of the mud and make us princes. In the best traditions of the old times, in other words, the new leadership isolated a key link and by

seizing it one is supposed to be able to pull the national economy out of the swamp of stagnation.

We economists, of course, immediately appreciated the scope and incredible complexity of the adopted program. Well, let us suppose that we tighten our belts another hole and thereby scrape up a trillion rubles in capital investments for the 5 years, as indicated in the plan. It is an astronomical sum but is it enough to finance the project plans? Yes, formally it is 19 percent more than we expended in the previous five-year plan. But estimates by various economists gave approximately the same figure: the cost of production will increase by more than 5 percent annually, or about 30 percent over the 5 years. Thus, the purchasing power of the mentioned trillion rubles will not exceed the sum spent in the preceding 5 years, whereas the plans are more grandiose. It will therefore not be possible to finance many projects (let us not forget that when they allocate funds for some objective, they are not dividing up money but those manpower resources, materials and equipment that are only symbolically represented by rubles). So in discussing the draft of the five-year plan, we and the well-known economist G. Khanin were able to warn through the newspaper that what cost a million rubles to build a quarter century ago now requires 3 million and this is not considered in the plans. Unfortunately, they did not listen to us at that time. Thus, future financial imbalances were built into the very fabric of the plan.

The positive program put forward by the new leadership was traditional in still another respect. The question is: What force will make the worker carry out exceptionally intensive project plans? In June 1985, M.S. Gorbachev responded to this complex question in this way: "...the primary aim today is to do everything possible to bring about a turnaround in the minds and attitudes of personnel from the top to the bottom, having concentrated their attention on the most important thing—scientific-technical progress. The primary thing that the existing situation is dictating to us communists is to be more and more demanding." What is new about this? We injudicious people do not, of course, understand what is good for us. We would like a thicker cabbage soup but the interests of the country imperiously dictate a different priority. The chiefs clarified this for us. It they are more resolute and stricter in their demands, we will do everything as we are supposed to.

This attractive program would have gone into history as the next doomed attempt to rush out of backwardness all at once if it were not for one circumstance: the political situation in the country has changed. The conditions of glasnost made it possible to discuss the proposed project and to put forward an alternative version. Its essence is this: man is not born to produce a lot of good machines. Meanwhile, the domestic economy is in principle not capable of working for man—it serves itself and that is all. This peculiarity of it is apparent from a dynamic series of figures from industry. In 1928, 60.5 percent of the entire industrial output was composed of consumer goods and only 39.5 percent means of production, that

is, everything that is "inedible." It can be said that the ratio is normal, almost classical, according to world standards. In 1940, these figures were reversed: 39 percent of industrial production represented consumer goods and 61 percent means of production. Such a strict proportion could be justified by the special features of the moment: the country stood on the threshold of war. As time went on, however, the share of the consumer sector declined. By 1985, less than one-fourth of industrial output was made up of goods for the people and more than three-fourths was "inedible."

Under these conditions, the proclaimed acceleration of development lost its meaning. Yes, the increases in national income during the years of stagnation even fell to 2 to 3 percent, according to official calculations. It was decided to increase them to 5 to 6 percent or higher. But what will be behind the figures for the increase? Again metal, tanks, missiles, tractors and machine tools? We already have plenty of these goods as it is. And you and I will gain little from the acceleration. The great plans were hanging in the air. For it was not only by virtue of the traditional thinking that "higher and higher demands" were proclaimed as the instrument for the realization of the five-year plan. There was no other way: under the existing self-destructive structure of the economy, it was impossible to put into effect economic or monetary incentives—how do you propose to stimulate people? Worse than that, the new plans with the priority of machine building predetermined a further contraction of the consumer sector and therefore of the possibilities for stimulating workers. But regardless of the wishes of planners, there is an objective need for more vigorous administrative pressure on people, for the new authority had no other means of influence. Perhaps they could again call for enthusiasm but by that time they had used up this fuel almost to the last drop.

So there arose a competing action alternative that opposed the official program in its main points. Above all it was proposed that priority be given not to machine building but to the consumer sector of the economy. In other words, turn the economy away from self-service to the individual and his needs. This objective can conceivably be achieved only by reorganizing the structure of the society in favor of the production of consumer goods and this takes time. During a time of structural change, the rate of development will inevitably slow and may even become negative. Well the heck with the rate of growth. It is not the source of happiness.

This time we were heard, at least in part. In the course of the five-year plan, the consumer sector was at least conceptually acknowledged to be preferable along with machine building. Common sense tells us that to impose two priorities at the same time on an economy in deep crisis is a little too much. It was already overheated, especially in the investment sector. But the scheme was very encouraging. Two things did line up rather well. When machine building begins to provide up-to-date equipment, with its help every worker will be able to produce more output. But now he will also be interested

in having something to buy with his good wages, since the production of consumer goods is also allowed to increase.

At first glance events did develop that way, gaining some inertia of movement. Whereas in the years 1986-1987 the national income increased by 21 billion rubles, it grew by 25 billion in 1988 alone. It would seem that there should have been enough money for everything—for a huge program to develop machine building and for an increase in the production of consumer goods as well as for other needs. The country's total income increased by 4.4 percent in 1988. We have not known such a rate for a long time. So can it be that the concept of acceleration is not absurd after all? Is it possible that the great changes lead to the collapse of the economy in China or elsewhere but that things are different here? Perhaps the planning system has finally revealed its strengths? Here are the figures....

Let us check them utilizing new analytical techniques. Not so long ago, the economist G. Khanin and I used these methods to recalculate the rates of economic development over a long period. It turned out that from 1928 through 1985 national income increased by a factor of 7 rather than 86, as official statistics assert. After we published the calculations, the workers of the State Committee for Statistics and committee chairman M. Korolev in person disputed our figures and insisted on their own. Although the methods of the calculation have been published in scientific publications, our opponents miss no opportunity to accuse us of keeping them secret. Here I will name one of the methods and let the reader decide for himself how reliable it is. And then let him assess what is happening in today's economy.

There are stable relationships between statistical magnitudes. It is not even mandatory to understand them but it is enough to note them. Then, using a figure that is certainly correct, we can easily specify another figure that we doubt for some reason. I will explain through an example. We produced 5 billion kilowatt-hours of electric power in 1928 and 308 times that much in 1985. The metering of the electricity is done strictly and mistakes are out of the question. In that same period, according to official statistics, national income increased by a factor of 86. Economists never doubted this figure. But what was the real figure? There is no need to guess. Let us take the United States for an analogy. In 1902, power workers there started from about the same base (6 billion kilowatt-hours). By 1972, the production of electricity had increased by that same factor of 308. In comparable accounting, the national income in the United States increased by a factor of 7. It is quite improbable that with an identical increase in the production of electricity in approximately the same range their income increased by a factor of 7 and ours by a factor of 86. It is reasonable to suppose that it increased by a factor of 7 here as well.

It is not difficult, by the way, to note that under the official means of accounting and under our method the

national income increases more slowly than the production of electric power. The relationships between these values are not, of course, strictly constant. In the United States, for example, in response to the worldwide energy crisis, there has been a shift in the last decade in the direction of less energy-intensive production systems and the result is that the rates of increase of income and of the production of electricity came closer together. Something unexplainable happened here, according to estimates. In 1987, the production of electric power rose 4.1 percent and national income increased by 2.3 percent. In general, that is the normal and usual relationship. But suddenly in the next year, 1988, these values changed places: electric power increased by 2 percent and income by 4.4 percent. Such jumps have not been observed even in economies that are much less inert than ours.

There are no miracles. The reported increase in income is clearly overstated. A check through other means affirms: in 1988, we most likely "stood still." There was neither an increase nor a loss in national income. Reports showed that it increased from 600 to 625 billion rubles. What kind of increase is this? It is nothing, for there are no real consumer values behind it, no real products. In essence, we produced an exaggerated figure and no more than that.

Let us try to explain the genesis of this statistical phantom.

#### 4

The history of perestroika in the economy still boils down to the slow advancement of thought from technological romanticism to the idea of market commodity production. It seems to me that the reformers themselves, having declared the revolutionary nature of the changes, have not yet fully realized how radical this revolution from above must be. Let us consider the new postulates that were proclaimed apparently so innocently.

Our implements of production are obsolete, the structure of the branches is abnormal, and the quality of manpower is low. In other words, the society's productive forces do not suit us and it is planned to transform them. It has repeatedly been stressed that the production relations are not of any use. They paralyze the development of productive forces. Finally, we do not have the kind of state that is needed. It is necessary to create a new one, a law-governed state. According to theory, however, productive forces in harmony with production relations form a means of production, whereas production relations (the base) along with the state and other superstructures constitute the socioeconomic formation or, what amounts to the same thing, the social order. It turns out that we have to change the means of production and the social order—no more and no less than that. This has not been declared but it follows from the theories to which the reformers adhere.



But what should be exchanged for what? We cannot proceed as they do in the army: without looking. The scientist and public figure Yu. Afanasyev recently stated the opinion in the press that what we have built is not socialism; it must yet be established in the future. In this case, the goal of the society and the prospects for development are comprehensible: from nonsocialism to socialism. But what have we built in seven decades? Can it be that we, like Pushkin's empress, engendered not a little mouse and not a frog but an unknown little beast? O. Latsis and other scientists vigorously objected: no, despite all the distortions and negative layers, our social order remained socialistic. If that is so, then what do you recommend we exchange it for? For it is unequivocally prescribed that no one is permitted to retreat from socialist ideals. Then there can be no talk of revolutionary reforms, it being sufficient to improve the current system.

In fact, production relations are the basis of the society. And they are property relations or, more simply put, to whom the means of production belong or do not belong. The main argument in favor of the opinion that what has been built here is nothing other than socialism is precisely this: the means of production are not private but public, even still state property. So however you twist it and whatever reservations you make, the establishment of individual farms on the land (or, using the delicate expression in vogue here, family farms), the institution of stock ownership and other radical reforms in this spirit would mean a departure from the basic foundations of the society—a forced departure justified by circumstances but still a departure, something like a respite on the way to a communist paradise, where ownership, the production of commodities and monetary interests are definitely not foreseen.

The theoreticians quickly changed the direction of the discussion, obviously sensing the undesirable fundamental conclusions to which it can lead. The society would not accept these conclusions. They are too radical for some and resolute voices have been heard for less reason: "I cannot renounce my principles." Others, including your humble servant, are more afraid of the new wave of theoreticians than of the conservatives but for a different reason—seven decades crumpled, crushed and trampled the country and pushed it into paradise but now liberal thinkers are declaring: it was not pushed properly and we—they say—will show how this must be done right and we will establish the desired system with a human face. The question is whether they will show us another Kuzma's mother?

And while the thinkers argued, life demanded urgent actions. Everyone brings to mind the laws passed despite the desperate opposition of the administrative apparatus. These acts proclaimed new economic rules: the formation of plant plans based on customer orders, the transition to wholesale trade in the means of production, self-financing, a certain freedom in pricing and, finally, independence in the utilization of income remaining

after settlement with the treasury. For the sake of clarity, let us examine these rules using the example of one small branch.

Our country produces 14 times as many grain-harvesting combines as the United States. There are as many defective machines as American industry is capable of producing in 70 years. It is clear that our production of this machinery is excessive. In accordance with the new rules, we should proceed as follows: well, comrades from the Rostov Plant for Agricultural Machine Building [Rostselmash] and from the plant in Krasnoyarsk, scurry around the country with hat in hand and collect real orders from farms prepared to pay for your output with their own money (precisely their own, for once there is self-financing there will be no money from the treasury for these purposes). It appears that the enterprises would not come up with even one-fourth of the current production program.

What should they do to feed themselves? This is no concern of the state. The economy is not social security. We cannot issue a directive but only good advice. In the last 3 years, the population has been given more than 4 million garden plots. Try to produce mini-tractors. If they are of decent quality and not too expensive, they will probably sell like hotcakes. If this does not work, try something else. In the final analysis, we have an insatiable market and a colossal unsatisfied demand for practically all commodities. One would have to be an idiot to suffer from a lack of orders!

In such a situation, let the one who works well earn much. The wages are automatically supported by real goods paid for by the buyer. Is this not quite simple? It depends upon how you look at it. Today there are tens of thousands of people employed at Rostselmash. Some 20 enterprises in different rayons are working for it. But imagine that the people arrive at their shift and are told: go home, there will be no work today, for there are no orders, and do not bother to come for your pay. But that would not mean anything if after such words the working people would put their board of directors on wheelbarrows and take them beyond the plant gates. I fear that on the way they will destroy more important institutions. It is generally thought that the collectives of the enterprises are eager for independence and here the administrative apparatus is usurping rights for its own benefit. Forget it, not many benefit from independence. This is a cruel and pitiless business. It guarantees prosperity and a worthy life only to those who are skillful and industrious. It teaches the rest to be sensible and reasonable.

Are those same combine builders having a hard time today? They reach out with one hand and are given the plan and state orders. The state buys everything, it allocates loans to the kolkhozes to pay for machinery, then writes off the debt and everything is fine. They reach out with the other hand and receive funds under the plan for output that is needed in production. If they provide too little of something from the funds, they are not taken to account for the plan. And it is a difficult and

risky matter to look for commodities in the wholesale market and to set up ties with suppliers.

In life there are no radical—especially revolutionary—changes that would not infringe on someone's interests. The very first and relatively simple new rule, namely the correlation of plant programs with customer orders, deprived those who plan and many of those fulfill plans badly or well of an easy living and, let us be frank, a piece of bread. And the reformers retreated. No, formally the proclaimed principles were not abolished but in practice they are continuing to plan production through directives from above.

But the reform was not totally rejected. One extremely important rule remains in effect: the enterprises have the right to increase money payments to workers if the value volume of production increases. They give them a certain standard—let us suppose that 30 kopecks out of every ruble of commodity output goes to the wage fund. The more the output, the more money accumulates under this standard for distribution. It is not important whether the customer needs the products or not: once they are manufactured under the plan, payment is guaranteed. The incentive funds are also linked to the value volumes of production, whereby profit serves as the source of accumulation of these funds. The obvious interest of the enterprises is to inflate production in rubles and to increase profit.

How should this be done? If the directive plans are maintained, the enterprise is essentially forbidden to seek more advantageous orders—do what they tell you. Under these conditions, the easiest and most practicable way to prosperity is to raise the prices for products. Then all the problems are resolved at once. For the volume of production is the price multiplied by the number of items and profit is the difference between price and production cost. In a market economy, the producer, of course, also strives to sell his commodity at a higher price but there is a natural limiter of price there—solvent demand. Our prices continue to be set by command. Experience shows that it is not at all difficult to get around the decreed figure. It is sufficient, for example, to apply the letter M (modernized) to the product. A kopeck's worth of improvement and the price doubles. It is a simple matter to dupe the price bureaucrat. It is not even necessary to deceive him, for he is glad to deceive himself. But in this case under market pricing, the buyer would simply refuse to acquire the commodity and all the work would be in vain.

Let us continue the example with the combines. The "Don" machines were sold just recently for 18,000 rubles apiece and today they cost 56,000 rubles. And just imagine, if they differ, there has not yet been a case when a combine was sent back to be remelted from the conveyor. Here is where the statistical record increases in the volumes of production and national income are coming from. The successes boiled down to price markups, which only depicted an increase in final product.

The contribution of enterprises to the produced national income of the country represents the sum of wages and profit. I have already spoken of the rapid increase in wages. And what about profit? Last year it was planned to increase it by 6.2 percent in the national economy and according to reports it increased by 10.3 percent. A fantastic improvement of the efficiency of the economy, is it not? But in reality no one noticed this. Part of the profit was distributed to the workers of the enterprises in the form of payments from the economic incentive fund. According to the plan, this fund was supposed to increase by 6.1 percent. It actually increased—who could anticipate such a thing—by 33.7 percent!

The depreciation and lack of cash money in circulation reflect the fundamental fact that there was no increase in newly established value in the production sphere. The consumer market, where there was no increase in goods, was hit with a crushing wave of phantom prices. Here is the root of the evil. Our mistake was not that we undertook economic reforms. The reason for the collapse of the economy is the direct opposite: we did not carry out perestroika in the economy. Of the entire package of reforms, we took and put into effect the simplest position: we hastened to give the enterprises the right to raise wages to the point of the introduction of the direct and unavoidable responsibility of the commodity producer to the customer. Not to the plan and not to the state with its orders but to his Majesty the consumer, who either recognizes the fruit of someone else's labor through his hard-earned ruble or rejects the commodity, totally deprecating the efforts of the manufacturer. In other words, we tried to extract the best part of the market model (the one producing the most new value is the one who gets rich), having ingeniously rejected the less pleasant details of the rigorous but only effective commodity production. Meanwhile, one cannot utilize the benefits of the market economy without introducing it to the full extent. This is the misfortune.

5

Why, however, is the sale of commodities declining in absolute terms? It would seem that the stagnation and crisis should have affected the consumer sector of the economy last of all—they gave solid priority to it along with machine building. They decided to invest more resources in the development of these branches and now, in the fourth year of the five-year plan, the result could have been felt already. Even if there were no real increases in national income and even if there was no increase in total capital investments measured in constant prices, the priority branches still should have developed more rapidly than before because of the redistribution of the invested part of national income in their favor. And we had exceptional opportunities for this. The raw-materials branches consume about 60 percent of all capital investments in industry. Naturally they planned to take investments away from them for the preferred branches.

Let us look at what structural changes actually took place. In the stagnant year 1970, they put 5.3 rubles out of every 100 in capital investments in the country into the development of the production of consumer goods (into group B of industry). As time went on, this already meager share further declined and amounted to only 4.4 rubles in 1985. That is all that one could expect in the Brezhnev era. Rumor ascribes this immortal maxim to Leonid Ilyich Brezhnev: "The party made the decision to provide the Soviet individual with everything he needs and you, comrades, know this individual." But other times came and other names came to prominence. So what? In the years 1986-1987, the share of group B declined from 4.4 to 4.1 rubles out of every 100. When I name this figure in conversations with foreign economists, they always ask me back: Is this a mistake? No, that is how it is.

This index had never fallen to such a low level. Even in the prewar year 1940, group B received 5.8 rubles out of every hundred in investments. It is a meager standard but if it were in effect now, they would have invested almost an additional 7 billion rubles in the years 1986-1987 in the expanded reproduction of consumer goods. With this money, one can build a plant for the production of a million passenger cars a year. Today's capital investments are tomorrow's capacities for the production of life's necessities. Where can one get goods in such a distribution? As they say, they went for wool and came back shorn.

In the meantime, what was happening with the other priority? After impassioned speeches, plans and decrees on the five-year plan for machine building, the share of this branch per hundred rubles of investments declined from 8.9 in 1985 to 4.6 rubles in 1988. A decrease almost by half! I do not care for exclamation points but here I would have three of them. And the most surprising thing is that despite such poverty machine building is breaking all records in the rate of growth of production. In 1988, it exceeded industry by a factor of 1.6. There is no enigma here: the rate is calculated in accordance with the increases in production in rubles and machine building is the record holder in blowing up wholesale prices. According to our calculations, the production of output in real terms (in the useful effect of the equipment) fell perceptibly. But there is another paradox: in general, a shortage of machinery was not felt. On the contrary, it was necessary to force consumers to take tractors, robots, combines, machine tools with numeric program control and many other things. There are reserves of unused equipment valued at more than 14 billion rubles. As you see, we are not short of equipment but of good sense.

If the share of machine building and the consumer sector in investments declined, then whose share increased? To whose benefit were resources redistributed? Again to the benefit of the raw-material branches. In 1985, the fuel and energy complex alone consumed 14.7 rubles out of every 100 invested. This share continued to increase and reached 21 rubles. In 1988, something happened that was beyond the limits of human understanding: the

mentioned complex expended 45.1 billion rubles on development, or 1.5 times as much as the year before. It ate it up and did not choke. Just the annual increase in investments (15 billion) was almost equal to all investments in group B in the first 2 years of the five-year plan.

On the eve of the five-year plan, however, they negotiated seriously about something else: we long ago reached first place in the world in the extraction of fuel, the smelting of metal, the production of fertilizer and the felling of timber, so in the future we will not accelerate the development of these branches; it is more reasonable to reduce the expenditure of raw material per unit of final output, especially since we have exceeded everyone in the wasting of resources. The official statistics indicate the success of this intention. Production in the raw-materials branches increased by about 2 percent in 1988, whereas, judging from the summary of the State Committee for Statistics, national income increased much more significantly—by 4.4 percent. So we began to expend less of all kinds of goods per unit of final output (per ruble of income).

The summary states: the materials-intensiveness of national income declined by 1.5 percent, metal content by 3.1 percent and power content by 2.5 percent. The conclusion: "The process of the transition from the extensive to the intensive path of development continued." Under these conditions, only the stupidity of planners can explain the accelerated provision of the raw-materials branches with capital investments. Whereas, as we calculated, there was no increase in income but there actually were more raw materials produced (in contrast to value indices, natural accounting indices can be trusted), expenditures of goods per comparable ruble of national income increased and hence the national economy continued to develop in the extensive manner. The economy accelerated along a dead-end road and the waste of raw materials is compensated by increasing their production.

The specialists from the State Committee for Statistics can refute us until they are blue in the face but, since we heat not with figures but with fossil fuels, it was necessary to increase their production despite the idealistic intentions and joyful reports. Last year the fuel plan was even overfulfilled by 39 million tons (in terms of standard coal). This, it seems, is the only flourishing branch, if, of course, one does not count the production of paper money. And demands are increasing. This year they planned to produce 44 million tons of fuel beyond the target of the five-year plan. This exceeding of the original plan alone is equal to the 2-year increase in production that already took place. "And we hope," boldly declared Gosplan Chairman Yu. Maslyukov, "that the fuel and energy complex can cope with these extremely difficult tasks." (In general, meanwhile, one must hope in silence, in mental trepidation, and in the case at hand there was a straightforward reason to remain silent—in this same appearance, Yu. Maslyukov bragged about perceptible progress in the efficiency of public production. Then why these increases in fuel?)



It is clear that huge capital investments are again needed for this increased program. The raw-materials complex is a true black hole capable of swallowing up all of the investment resources of the national economy. And since the country's total income is growing only in the imagination of statisticians, the additional means for the development of raw-materials branches can be sought only by continuing to deprive other sectors of the economy, including the consumer sector.

Here I am somehow tempted to use sarcasm: as you see, the rhetoric about the human factor is one thing and real investment policy is something quite different. With hand on heart, however, I cannot accuse the higher authorities of hanging noodles on their ears. No, they sincerely want to do good. But our economy got accustomed to moving six decades ago and, after it got on the track intended for it, it has crawled along by inertia where it wants to go but where we do not need it to be. Planners fuss with this amorphous colossus, prescribe new paths for it and outline the desired paths. In vain! You could have the same success in pushing aside a slow mudslide—your arms sink into the sticky mass to the elbows and that is all.

If we are capable of learning anything in life, the most important lesson from the 4 years of perestroika that we have experienced is the following: the administrative planning system is obsolete. It is not capable even of providing for a quantitative increase in production and this is a relatively simple task. By the size of our gross national product, we are at best in seventh place in the world. We are behind the United States, Japan, the FRG, France, England and Italy. Spain and Canada are breathing down our neck. In 1913, we were in fifth place in the world and now we have slipped to seventh, having sacrificed so many victims to the plan. As for our standard of living (according to the so-called consumer basket), we slipped to somewhere between 45th and 50th place in the world. The planning system is all the less capable of providing for structural changes in the national economy, the transition to intensive means of development, commodity-money balance and a worthy standard of living. We plan some proportions and end up with others. The only plans that work are those that ratify and approve the spontaneous economic processes developing, as a rule, in a destructive direction. This is the illusion of administration—things would happen the same way even without the plan.

Hence the conclusion that it is senseless to stimulate the fulfillment of the best and most progressive plan. The figures may indicate success but a more in-depth analysis will always reveal the opposite. The very word "stimulation" says a lot. As you know, a stimulus is the goad with which the ancient Greeks drove cattle. It is tacitly assumed that someone above will choose the path and will then use a whip or ginger bread to stimulate the pulling force of the economy, that is, the worker. Many perceive the economic methods of administration now in vogue this way: let us pay more to those who follow the plans strictly. In reality, these are pseudo-economic

methods. They are essentially called upon to supplement and hence to strengthen command administration. They are like a glass of vodka for the warriors storming the plan.

A balanced national economy and normal proportions among the branches can be achieved only in the market model. The rejection of directive planning, being the first step to the market, would immediately begin to normalize the situation. If there is no demand for machinery, its production will automatically decline and the society will free itself of payment for useless labor and save metal, fuel and electricity. The legendary Ministry of Land Reclamation and Water Resources spends 12 billion rubles annually. Two million people live primarily by ruining mother earth. There is no need for prohibitions! Continue your dirty work, if you find customers prepared to pay for it with their own money. Under such a system, hundreds and thousands of senseless projects would be discontinued, the planned realization of which is sucking all the juice out of the country. Again I say: it is a difficult decision, tens of millions of people would be deprived of their wages for a time. But then money will become scarce and not goods, which is an indispensable condition and essentially synonymous with the normalization of finances.

Expressed scientifically, the country needs a deflationary shock (deflation is the concept opposite inflation). It is not an easy matter to decide to do it. The command system trained people to be social dependents. Beginning in the first five-year plan, they introduced the planning of the wage and average wage funds. And this was the instrument through which the state systematically reduced the share of wages in produced national income. The worker had practically no way to increase his wages but in exchange the treasury did not allow those to die of hunger who should not have gone to work at all. Since then, we have become firmly convinced that the treasury is obliged to support us: whether I produce necessary or superfluous output, good-quality products or poorly camouflaged rejects—just give me my pay, otherwise what kind of socialism is it when there is no social protection? The retreat from such a rule would mean that authority is in conflict with large collectives organized in the very process of production, which by order of that same authority have been assigned the task of producing unneeded goods that are not in demand. It is a dangerous opposition. It is much easier to start up a printing press and satisfy the demand for money. For each individual person, a wage increase is not completely empty and therefore through the emission of money it is possible to ease the dissatisfaction of specific collectives at the cost of reducing the purchasing power of the ruble for all those receiving income. With the release of the next bag of counterfeit money, the treasury, as it were, pinches away a piece of every ruble—whether accumulated in savings or issued on payday. The misfortune spread out over 200 million people receiving income as not as noticeable immediately as the removal of a particular collective from the state payroll. But the

disorderly emission observed since the spring of 1988 demolished the consumer market in just a year and is completing this destruction today.

Figure it yourselves. In 4 months of this year, the increase in nominal income of the population reached 20 billion rubles. To pump this money out, it is necessary to offer for sale, let us say, 2 million passenger cars, which is equal to the annual program of three plants like the Volga Motor Vehicle Plant [VAZ]. If a VAZ is built very 5 years, 15 years will be needed to provide goods for just the 4-month additional distribution of rubles to the population. But to supply goods for the presumable annual increase in incomes, we would almost have to equal America's production of motor vehicles. Who believes in such miracles?

There is no solution to the problem in the scope of the planning system. At the First Congress of People's Deputies, we commodity economists were accused of incubating ideas for years and of coming up with nothing better than a return to the market economy. But an economist is not supposed to console the society for the sake of anyone—like prescribing castor oil for tuberculosis. His duty is to give the economy a correct diagnosis and to prescribe a cure. Yes, a shortage of money, a deflationary shock and the refusal to maintain workers at the expense of the treasury are bitter medicine but what can you do when there is no other choice?

I gave just a general outline, of course. While the enterprise is adapting to demand, it is necessary to pay people not yet producing a product. The state is by no means removed from the regulation of economic proportions but, on the contrary, uses primarily indirect methods to direct the economy in the desired direction, as is done throughout the world. For all that, the directive plan and the market are incompatible and perestroika in the economy is postponed until precisely the time when we realize this truth and draw practical conclusions from it.

Four years of failure have shown that it is impossible to do two things at once—to fulfill the plan and to carry out economic reforms. As was so well put by Politburo member A.N. Yakovlev, "the five-year plan is the frontal armor of the braking mechanism. The most intelligent opponents of perestroika hope to wait things out behind this armor." The core of the matter, however, is that the frontal armor was put up by the initiators of perestroika themselves. The stagnant plan for the years 1986-1990 was put together on their command. The state has not only not reduced its ambitions but, on the contrary, has introduced new long-term priorities. The resources that the economy had could not even cover the accomplishment of the projects financed out of the treasury. And suddenly the government opens a second floodgate for the leakage of meager sources—it announces the self-financing of enterprises in the scope of perestroika. The collectives dramatically increased their sayings in the social and cultural fund and in "feraponté" (as some witty people called the fund for the development of

production and new technology) by inflating wholesale prices. When empty money fell upon the cashless wholesale market, it crushed it exactly as the false paper money buried the consumer market....

In the past, a governor wanting to show piety fasted in an original way: he added turbot to all the forbidden dishes. In a similar manner, the state ordered that self-financing be added to the increased planned "dishes." The result of this "multiplication of dishes" was not long in coming: neither the plan nor the plant programs were fulfilled. Last year 11 billion rubles in unutilized money remained in plant accounts alone—there was no cement, brick, rolled products or equipment for the money.

The analysis again led us to the conclusion: the collapse of the economy took place not because we got bogged down in perestroika but precisely because of the delay with the reforms. In the compromise between the plan and the market, there was enough of the planning principle to block the incipient market reforms and, at the same time, the helplessness inherent in the plan became manifest and more acute.

6

It is not the setbacks and failures that are dangerous—one is immune against them. What is fatal is the sluggish thinking and the inability or unwillingness to learn from mistakes. Even before the start of the 12th Five-Year Plan, put together in the best traditions of stagnation, it was clear that it was doomed. Nevertheless, the plan, which paralyzes the reformation of the economy, was not discarded. Moreover exactly the wrong conclusions were drawn from the bitter experience: the tightening up of planning and the strengthening of planning discipline are in first place on the list of emergency measures called upon to normalize finances. In the first 3 years of the five-year plan, despite all the scheming with retail prices, the plan for the production of consumer goods was 43 billion rubles short of being fulfilled and in the future it will be necessary to overfulfill the targets by a considerable amount. In the past years of the five-year plan, the production of nonfood items increased by an average of 10 billion rubles a year and an increase in the magnitude of 45-50 billion rubles is planned for next year alone. Is it possible, one asks, to carry out such formidable plans? Why not? Before me is a report on the conference with Deputy Chairman of the Council of Ministers V. Gusev. The ministers were called on the carpet. It is being decided what volumes of goods their branches will provide next year. The Ministry of Mineral Fertilizers, having mobilized its reserves, is prepared to increase the production of consumer goods from the current 600 million rubles to 665 million. Minister N. Olshanskiy is divulging these proud figures and waiting for his deserved praise—such output is not the speciality of the branch and look what kind of increase we have. The leader, however, is in no hurry to express enthusiasm: "Well, if you give more thought to it and look around,

can you come up with 700 million?" After some hesitation, the minister sighs and agrees: if you want 700, so be it. It will be done.

There is a saying about an innovator. He came to a farm and reported that he has an invention that makes it possible to increase the milk yield per cow from a pail to one and half pails a day. They asked him: Might it be two pails? "No," says the inventor, "it would be pure water." In our case, there will be a "water" of price increases—it was a matter of an increase calculated in millions of rubles but we have already seen that such increases are easily achieved in the reduction of the production and sale of goods in kind. A simple calculation shows that even if it is possible to fulfill the increased plan for 1989 for consumer goods even through the play of prices, the consumer market cannot be normalized—the increases in monetary incomes this year will again greatly exceed the increase in the commodity turnover.

A number of other stagnant targets have been attached to the plan for this year. Budget appropriations in machine building will increase by 1.3 percent. A giant program for the modernization of the branch of machine building that will store, process and package the future abundance of agricultural output will continue to be financed. The total cost of the program is 77 billion rubles. In terms of expenditures, this is approximately five BAM's (Baikal-Amur Railroad Line), so that it is not envisioned that there will be a shortage of packing in the foreseeable future.

They have begun to build a colossal oil-gas-chemical complex in Tyumen Oblast. This amounts to another six or seven BAM's. Unknown to the people, the departments have made deals with foreign firms on deliveries of equipment. The secret leaked out, however, and the public came out vigorously against the project. Much has been written about possible ecological harm from the new construction. The facility must immediately be deleted from the plan before any discussion; the country does not have that kind of money and other considerations are of no interest.

We lived through 11 five-year plans and in physical terms (and this is the sense of planning) we did not fulfill a single one of them. We are now successfully failing in the 12th. What kind of miracle will take place that by way of exception will permit the realization of the fantastic targets for the current year? Perhaps there will be some new previously neglected reserves with respect to the plan? Excuse me for the bad play on words but we are discovering a tear in this material. At the session of the USSR Supreme Soviet that adopted the plan for the current year, the then Minister of Finances B. Gostev made a surprising announcement: "In connection with the fact that the budget was drawn up on the basis of the planned indicators of economic and social development in 1989 but the rate of growth of national income is falling somewhat short of the targets in the five-year plan, there will be smaller money savings than planned."

Is this understandable or not very? I will explain. When they compose the five-year plan, they also break it down immediately, that is, they distribute the targets by years. In the course of the work, it turns out that it is impossible to achieve what is planned. Previously in such cases, they simply proceeded as follows: they reduced the plan for the next year in comparison with the original distribution (why plan what cannot be achieved?). If the reduced plan was not fulfilled, they subsequently corrected the plan, making it fit the results. It appeared as though all the annual plans had been realized successfully and hence the five-year plan as a whole. The final results had little in common with the initial program but who is going to compare figures 5 years old with the report? With the beginning of perestroika, they announced firmly: there will be none of this deception in the future; the plan for each year will remain as it was in the original distribution and that is how it will be. This is precisely how they proceeded in drawing up the plan for the current year, as reported by the minister of finances. That is, disregarding everything, the deputies voted for the previous and even increased figures, saying: now you, Boris Ivanovich, finance this plan for us. They should have said to him: since the national income "was somewhat short of being achieved," I do not have that kind of money and I cannot do what is impossible. What to do? This does not bother me—one has to live according to his means. In England, they have such battles in parliament when they cut the budget. Argue about where to cut expenditures and what projects to exclude; that is what you legislators are there for. Only our minister of finances, an obedient man, as he should be, says here you have a budget with a tear in it: "As a result, the shortfall of financial resources amounts to 36.3 billion rubles." No living being knows where we can come up with this sum. By the way, the minister dissembled a little with this figure. So that the hole in the budget would appear somewhat respectable, they first masked it: they transferred 63 billion rubles from the loan fund to income. What kind of fund is this? It is the output of the printing press, for the treasury has long since had no other reserves. The more than 300 billion in savings books cannot be considered a loan fund. This money leads a miserable nominal existence. One out of five plan projections was provided with air only, with which one can at best build castles in the air.

But this is not the entire deficiency. I already said that the record increase in national income last year is a myth. Meanwhile, planners and financiers divided those billions as though they were real: a certain amount to steel makers, a certain amount to brewers. They were distributing smoke or, better stated, fitting the economy with new king's clothes, explaining to the public with comic seriousness where a crease will be. A new record has been outlined for the current year: the total income of the country is supposed to increase by about 40 billion. This money is considered real and again is divided basically for the financing of planned measures. But what if the increase in income is again exaggerated

and purely a matter of price? There is now more justification for such a forecast than before. Whereas last year, according to our calculation, income neither increased nor decreased, it fell by 2 to 3 percent in the first quarter of the current year, according to my estimates, although the official statistics boldly declared that it increased by 4 percent. What will be the budget deficit with this kind of development of events?

In the final analysis, the gap between income and expenditures is becoming catastrophic. Is it possible to fulfill the plan under such a distribution? Its investment section, of course, cannot be fulfilled—it is a comic opera. Only as an exception will the construction of some of the facilities that must be introduced be completed. Which ones specifically? It is not difficult to foresee events. Since there is not enough money for all the planned construction projects, some must be deprived and some must be fully financed. Who will be given preference? There is no doubt: if a powerful construction organization is behind a project, if success is indicated and if there are chances of completing the facility by the end of the year, it will be financed as needed. Nor will there be problems with projects supported by important bosses—they will not allow "their own" construction projects to be stripped. Thus, chance factors (the size of the boss's throat, the strength of a contractor in a given region, and the like) will be decisive in investment policy. Those capacities that the national economy needs most will not be the ones to be put into operation but quite different ones. The system will work by chance and only one thing can be said with certainty: the targets for the introduction of capacities will again not be achieved and the volumes of unfinished construction will increase even more. In the current five-year plan, unfinished construction increased by 30 billion rubles and reached the astronomical sum of 150 billion.

This is a curse from God: we start to get a little money in the country and the builders in accordance with the plan grab it and quickly bury it in the ground, immobilizing it in pits, foundations and walls. Can we really ever live better this way? We cannot do this, kill me and get it over with.

To be objective, I will point out that the list of extraordinary measures for normalization includes the reduction of the excessively extended construction front. The idea is not new. I remember that in his day N.S. Khrushchev gave the planners an ultimatum: if they do not stop dispersing capital investments, then he, the leader of the state, will personally include each new structure in their title: do not dare proceed without him. So what happened? At that time, there were 100,000 construction projects for production. Today there are more than 300,000, whereby there are an average of 13 builders per facility. Last year they actually ordered the stopping of facilities valued at 24.2 billion rubles but with the other hand they began new construction priced at 59.1 billion.

The investment sector of the economy is overheated but it cannot be cooled through planning instructions or a threatening directive. Economists are tired of writing about how to achieve this and the public is tired of reading it: if you want construction, do not stand gaping at a loaf of bread from the state but earn the money yourself. But it is senseless to introduce isolated self-financing—as we have warned a hundred times but who listens to us (we do have some kind of glasnost but so far there is not much listening)—outside of a complete package of economic reforms. If you continue to plan what output the enterprise is obliged to manufacture, then be so kind as to indicate to whom it should be delivered and from whom to receive money. So there is still a division of resources by funds. And so it went: there is no free wholesale trade in articles for production—there is no self-financing. Hardly any enterprises earned money. You cannot buy anything from them without allocations or rationing cards. Wait for them to allocate metal, cement, bricks or equipment to you. Self-financing happens with the special permission of bureaucrats in each individual case.

Under these conditions, self-financing is even harmful, because plant construction projects are added to innumerable state projects (that same turbot). In the years 1986-1988, the ministries and enterprises even increased the number of construction projects by 31 percent and they independently confirm the plans for these projects. One thing is intended but life takes the opposite direction.

Other extraordinary measures that have to be carried out prior to reforms are of the same nature. Last year the treasury paid out 5 billion rubles for the maintenance of 9,000 unprofitable enterprises. "The government," declared N.I. Ryzhkov, "adheres to the firm position that 1990 must be the last year of this inadmissible occurrence." This is possible but for long? Let us look into the matter. By no means do losses always indicate a lack of zeal on the part of workers. In a command system, it often happens that some enterprises are by nature assigned the task of producing losses and others, in a manner of speaking, are doomed to high profitability. At the present time, raw-materials branches are either unprofitable or they produce little profit. No one, however, has proven that miners, metallurgists or lumberjacks are poorer workers than others. It simply happens that the prices for their output have been set so that they barely cover expenditures. Beginning in January 1991, prices for raw materials and fuel will be raised sharply and it will become just as profitable to mine coal, let us say, as to produce the machinery for the mining of the coal. There will, in fact, be no unprofitable mines but one must understand that the success will be purely a matter of accounting. I know the further course precisely. The cost of coal will not change before the next revision of wholesale prices (and such a revision takes place once every 10 to 15 years). The price is written in the list and no one will pay more than that. They will, of course, also sell equipment at no more than the new set



prices. But the difference is that under the banner of the renewal of output manufacturers will remove their present machinery from production. They will remain on the price lists only. In exchange, the enterprises will begin to produce supposedly improved equipment but at a new price. According to our calculations, the creeping rise in the prices for the output of machine building is no less than 30 percent over 5 years. You cannot improve coal so you will not raise the price for it. But if fuel is at one price over many years and the machines for its extraction are becoming steadily more expensive, then it is clear that just 2 or 3 years after the total revision of wholesale prices the mines will again be of low profitability and subsequently unprofitable even with the best work of the collectives. So should they be closed? But then what can we use for heat?

If this is the case, it is necessary to close not unprofitable but profitable plants. The production of combines, tractors and machine tools is even very profitable. The manufacturers are tearing apart the country but they are being made models for the rest. And still another paradox: the production of raw materials is unprofitable but precisely there, as we have seen, is where capital investments are flowing from priority branches. It is a truly distorted economy!

The stability of wholesale prices is legend. In reality, we more or less successfully maintain throw-away prices for raw materials, having long ago lost control of prices in the processing branches, where the products list is changing rapidly. This flaw cannot be eliminated until we begin to establish prices in agreement between commodity producers and customers. Mankind has not invented a better instrument than the market—the commodity does not cost what bureaucrats have calculated but what the buyer is prepared to pay. Then there is no need to order the closing of unprofitable enterprises; they will close themselves, being unable to compete in the market. Accordingly, what is needed is not the next revision of prices from above but a change in the very principle of their determination, that is, a profound reform of pricing. This is the key point of perestroika. Without this reform, we will not be able to take a step in economic transformations and the announced removal of unprofitable enterprises from state support will remain a good intention or an accounting operation that creates the appearance of success.

Balance between money and goods can conceivably be achieved even without an increase in the production of goods, it being sufficient to reduce the monetary income of the population. Under the current extreme situation, the government ordered an end to the payment of unearned money. In this connection, four of our economic departments sent to the enterprises a directive that one of the delegates to the recent Congress of People's Deputies cleverly called the letter from the "gang of four": henceforth wages cannot increase more rapidly than the productivity of labor. It would seem to be a just limitation but in a planned noncommodity economy the link between these values is just about zero.

Let us suppose that those who make missiles, span the Yenisei and issue machine tools raise the productivity of labor by 10 percent but the average wages by only 5 percent. It is a remarkable proportion—anyone will say that honestly earned rubles are distributed here. But what goods support the modest 5-percent increase in wages? Additional missiles, machine tools and the spanning of the Yenisei, that is, output that does not reach the stores or the external market, where it could be exchanged for consumer goods. The earned increase in pay remains naked money, for there was no increase in the volume of consumer goods. On the other hand, in the sewing industry, for example, where wages account for no more than 5 percent of the value of the goods, one could boldly increase wages beyond labor productivity. Only this would stimulate an increase in production, for here output is being produced that is needed to cover the rubles distributed to the population.

As we see, the strictest control over the false proportion will not bring us even a step closer to satisfying the hunger for goods. Moreover it is quite easy to get around prohibitions. We measure labor productivity in terms of the production of output in rubles per worker. If you raise the prices for output, productivity under the same labor input will jump, which serves as a legitimate justification for raising wages. In fact, the letter of the four departments introduced still another incentive for a price spiral.

You cannot deceive life. With his increased pay, the worker comes to the consumer market and sees that the prices have gone up there and that commodities are disappearing from sale. To subsist, he will find means to obtain an additional increase in wages, with which he will come to an even more expensive and barren market. The well-known inflationary spiral is in effect. The introduced limitation of wages means an attempt to shift the burden of inflation and commodity hunger to the shoulders of the working people. They are proposing that we get out of the financial difficulties by reducing the standard of living. One does not have to be an intellectual giant to understand that only in this sense is the government's entire announced program for the normalization of the economy realistic.

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Meanwhile, as a positive effect of the planning-administrative measures for normalization, it is firmly promised: there will be no further increases in retail prices. They issued a special decree on this. The intentions are noble, of course, but the character of the playwright Ostrovskiy called noble such intentions in which there is very much nobility and very few chances of success. It was not possible to keep prices stable even in times somewhat better than these: the purchasing power of the 1985 rubles was equal to 54 kopecks at the beginning of the 1960's. The consumer market is now deregulated as it has not been for a long time. We have already passed the moment when it was still possible to carry out a compensated increase in prices for the output

of animal husbandry. One of the primary objectives of the reform that did not take place was to shift demand in the direction of industrial goods less scarce than food products. Today demand cannot be shifted anywhere—everything is scarce. The version in which prices are stable and goods are for sale no longer exists. And if this version is nevertheless chosen despite the economic imperative, it is not the prices that will be stable but the price lists and labels on the molds for the commodities. Thus, you know that it cannot be that the collapse of finances and the severe economic ills will not affect the consumer. All of us have to pay for the decades of stagnation, for the 4 years of talking about perestroika with a spectacular lack of action, and for the fundamental errors in the renewal of the economic mechanism.

Life is inexorably turning us toward the difficult choice between three alternatives. The first: stable prices and empty store counters. Second: rapidly rising prices and goods available for sale. Third: stable prices and some goods but with rationing. In the years of perestroika, we have been observing an elaborate combination of all three versions but in the very last months we have clearly seen an expansion of rationed distribution into the zone of free trade.

Psychologically the population is more prepared for a system of rationing and for justice in distribution than for a price spiral. This question has a venerable history. In the famous collection "Vekhi" (1909), one of the authors, S. Frank, reflected: "Socialism is a world view in which the idea of production has been displaced by the idea of distribution. True, socialism as a social and political program presupposes the reorganization of all aspects of economic life; it protests against the opinion that its desires boil down merely to taking wealth away from those who have it and giving it to those who do not. Such an opinion actually contains a distorting simplification of socialism as a sociological or economic theory; nevertheless, it quite accurately imparts the moral and social spirit of socialism. The theory of economic organization is only a technique of socialism; the soul of socialism is the ideal of distribution and its ultimate striving does indeed boil down to taking benefits away from some and giving them to others. The moral pathos of socialism concentrates on the idea of distributive justice and is consumed by it."

It is difficult to disagree with the author if we recall that the new society began precisely with the total redistribution of the necessities of life: under the barrels of machine guns, they took grain away from the peasants producing it and distributed it "fairly." It would be tempting to justify these measures through the extraordinary situation in those years but Lenin himself protests against such an explanation: "...we made the mistake of deciding to carry out an immediate transition to communist production and distribution. We decided that in the distribution the peasants would give us the needed amount of bread, we would distribute it to the plants and factories and we would have communist production and

distribution."<sup>2</sup> Yes, Lenin calls this practice a mistake but the mistake was by no means tactical in nature: in accordance with theory, it was thought that one could move directly toward communism by means of the extra-commodity distribution of goods.

The idea of "fair" distribution occupies practically the leading position in our economic history and covers all aspects of life—from the funded supplying of enterprises to the periodic introduction of rationing for products, from wage ceilings to the unfortunately well-known special section in the GUM [state department store], from the distribution of meat in cities and villages from national stocks to the free allotment of apartments, from the first commandment of the kolkhozes to racketeering in connection with cooperative workers, and from coupons for soap to special rations. The result was the alienation of the producer from the fruits of his labor: some create wealth and others enjoy it. And if this dead idea is still being adhered to, it must mean that someone benefits from it.

The above-mentioned author of the article in "Vekhi" accused that old disinterested intelligentsia of being concerned not with the establishment but only with the distribution of wealth and, as the thinker puts it, "in a metaphysical sense...of carrying on a parasitic existence on the body of the people." Quite in the spirit of perestroika, he makes the appeal that it is time to "reduce the number...of all kinds of administrators and distributors."

It may have been time but the distributors of all kinds, who did not look at "Vekhi," cleared up a simple thing for themselves: "The production of goods in all areas of life is valued less than their distribution." It is valued not in some metaphysical sense but in the distribution of pies, pastries and positions for bigwigs. The administrators and distributors became not only masters of the products from someone else's labor but also the collective owner of productive forces. Theoretically socialism is a system in which property belongs to all together and to no one in particular. But I am profoundly convinced that there is no property without an owner—economic nature cannot stand a vacuum. The place of the expropriated private persons is taken, in a manner of speaking, by a collective Ryabushinskiy, with the difference, however, that the former owner took risks and had economic responsibility for his actions, whereas in principle his multiplied successor is not capable of acting sensibly. For there are no competitors prepared to take advantage of his mistakes. There is no great harm, however, for the losses in production can always be compensated through acquisitions in the process of distribution.

People are not the same. There always have been, are and will be some who are richer and others who are poorer. And since this is hard to eradicate, the society must be organized so that personal wealth can be acquired not through expropriations and theft but through the profitable production of high-quality goods at accessible prices. The commodity producer is just

striving for profit and he can achieve it only by satisfying the needs of others in exchange for money. This dialectic was described by Adam Smith himself. And if anyone does not like the father of classical, or, as the dictionaries define, bourgeois political economy (it is as bourgeois as Newton's physics), let him take a look at the 11th volume of Lenin's works and delve into Lenin's comments on the margins of Bukharin's book "Ekonomika perekhodnogo perioda" [Economics of the Transition Period]. In agreement with the bearded founders, Bukharin writes: "Production under the predominance of capital is production of surplus value, production for the sake of profit. Production under the predominance of the proletariat is production to cover social needs." Lenin vigorously objects: "It did not work. Profit also satisfies 'social' needs." It is quite obvious that what is meant here is the profit of private owners. We now know that it does this better than what we are accustomed to doing.

We are gradually learning to say the words "market economy." But what is a market? It is a voluntary and permanent exchange between owners of goods and owners of money. If the state monopolized all property, who will trade with whom? The market would become a toy, a poorly masked form of distribution. The market either exists or it does not; it is not socialistic or capitalistic or something in between. And now our stubborn heads are getting the idea of the demonopolization of ownership. We timidly refuse to have anything to do with it but the temptation is too great and, like some mischievous monks, we calm down those who cannot renounce their principles by saying that this does not contradict Holy Scripture. Upright warriors no longer always snatch the almost forgotten slogans "Land to the Peasants" and "Factories to the Workers" from the hands of people at a meeting to trample them in the dirt. But previously that land and those factories had to be taken away from someone. With difficulty we are beginning to understand: Who might that be? Who should be expropriated this time? Tell us, we are ready. Good gracious, an entire class-owner has grown up while we listened to speeches about the national state. I recall that Karl Marx also said something about this in his youth: the state can become the private property of the bureaucracy....

The worker will remain the implement of the state and no written law will make him a free person as long as he has no property, even if it amounts to only a pair of working hands. Precisely this is the deep-seated link between economic and political reforms and this, in the final analysis, is our way to the society of flourishing civilized countries. So let all forms of property—private, cooperative and state—compete on an equal basis.

In the countryside, the individual farm or, as it is cautiously called, the family farm will most likely predominate. It is like this everywhere: in other branches, there will be concentration to the point of interethnic companies with hundreds of thousands of workers, whereas family enterprises were and remained the basis of agricultural production. So there is something in this

mysterious sphere that makes uniquely advantageous the simple combination: the family, the simplest cell in the society, is simultaneously a production unit that is stable, viable and competitive. If it were otherwise, the leaders of the economy there would long ago have put pressure on them and merged them with giant enterprises. The land can remain nationalized—they have this in the West too—but the family necessarily takes permanent possession of it (the possessor does not have the right to sell the land or to ruin it, for it not his property). This is a controversial question but all other means of production accumulated by the family are fully owned by it; there cannot be two opinions here.

This is precisely what the Chinese decided to do in their reforms. They gave the land to the peasants and within a year they were able to feed a population of 1 billion. We are people who are always late. The country is on the brink of the abyss and we spend all of our time talking about how it would not be bad to try family leasing. Was it really necessary to hold a plenary meeting on agriculture in March? At the latest, it should have been in November so that the land could be parceled out before sowing; you sow in the spring and wait for the results in the fall. Now a year has been lost and we still have to get by until next year.

And they decided nothing at the plenum. When they got down to business, a speaker said almost brusquely: "...it would not be correct to conclude that the kolkhoz system is inefficient. No, the collective farm has tremendous potential possibilities...." It appears that they will be revealed when we have pumped out the last drop of oil in exchange for the bread of Arizonestan or Kansastan, our agrarian appendages. But in the meantime, the idle farms have been given a reprieve. Are there many of these idle farms? One-third of the farms provide 80 percent of the agricultural output and the other two-thirds 20 percent. They are now writing off their debts—start all over in ruining the country. If you cannot handle it, in individual cases it will be necessary, they say, to turn the land over to "strong kolkhozes, sovkhoses and other enterprises, collectives and family lessees." But this is still to come....

Is it? A. Veprev, chairman of the Committee on Agrarian Matters established at the First Congress of People's Deputies, invited me to a meeting of this new body and proposed that I give my ideas with respect to the new law on land. The legislators very amicably rejected my thoughts on municipal responsibility for the land and on the system for leaving kolkhozes: who is against providing farmers with the means of production from the indivisible cooperative stocks? No, in their opinion the peasant must lease the land from the kolkhoz only and sow according to the kolkhoz plan. It is apparent that these people do not need the new law; the old law was not bad for them. And this is understandable: the majority of the committee members are managers of leading farms, for poor ones are not elected people's deputies. They have dedicated their lives to show that the cooperative farm can work very well. And it would be unnatural to



expect them to renounce their life's work. But how many of these advanced workers are there in the country? The wise Arkadiy Filimonovich joked unhappily: "Almost all of them are here in this hall."

They will hardly emancipate the peasants. At the congress itself, the renowned chairman V. Starodubtsev, speaking on behalf of more than 400 agrarian deputies, threatened: "What can one say today to the opponents of kolkhozes? You want to inflict a final blow on the peasant and thus leave the people on starvation rations for many years." Here the speaker reported in dramatic tones: "On 5 May of this year, under Decree No 25 on the improvement of the country's economy (what a blasphemous word), USSR Gosplan took 20,000 tractors, 10,000 trucks, 1,100 power shovels and 1,677 bulldozers from the agricultural industry with their subsequent transfer to the Central Union of Consumer Cooperatives for sale to the private sector. Comrade managers of agriculture sitting here, for years we dreamed of a tractor or a bulldozer and now we cannot have them. Evidently now we will not receive anything at all."

Let me give you the facts: annually the rural areas receive 330-350,000 tractors and 300-330,000 trucks. About 600,000 tractors and combines are not manned with machine operators even for work on one shift. So they are saying that it is better to let the idle machinery rust and not to give the private, family farmer anything. Such is the equality of the forms of ownership in the understanding of legislators. The powerful agrarian lobby that developed at the congress is demanding the financial doping of the decrepit sectors of agriculture. And this is still another black hole in the economy.

Now about cooperative ownership. I admit that it is not without some mental confusion that I decide to write that it is extremely promising in all branches of the economy. I recently traveled around Kuban and met with my readers. And in every audience, whether it be at a kolkhoz or a university, there were malicious questions: when at last will the cooperative bandits be closed down? They used up all the meat for shashlik and bought up all the cloth. I walked around the markets and simply wherever there are people. Perhaps I somehow had particularly bad luck but I did not notice a single seller of shashlik. And who would risk it? They would unscrew their heads and say enough of that.

A curious episode was recorded during the trial of Bukharin. The former party favorite was accused of scattering broken glass in butter. Truly, the more outrageous the lie, the more inclined people are to believe it. Where could one get butter in the stores if they purposefully spoiled it? It seems that in the public consciousness today cooperative workers are playing the role of enemies of the people: it is they who pilfered goods and gobbled everything up, leaving us nothing.

It can, of course, be shown that a seller of shashlik who earns many thousands would thereby have a favorable

impact on the state of the market. Whatever his income, he is not going to eat 40 pounds of meat in a day and is not going to wear two jackets at the same time. He will save whatever extra money he has, that is, take it out of circulation for a time. But there are people living from paycheck to paycheck who, if they did not spend their money on shashlik, would certainly present those rubles to state trade and thereby exacerbate the commodity hunger. We may recall that last year the new cooperative owners produced consumer goods worth a billion rubles. Or is this superfluous in our present situation? It is possible to present other arguments. But what is the use? A person who does not want to hear is worse than deaf and envy is stronger than reason. Or, as the Chinese say, if it is bad for me, let it be no better for my neighbor. "Where is the justice if a cooperative owner earns more than a minister?" asks a person who 10 minutes ago had cursed that same minister and his staff with the most vile words for hampering perestroika and denigrated his ministerial privileges.

It seems to me that the higher authorities understand very well what unusual zeal for labor the cooperative movement can awaken and already is arousing. At their initiative, a law on cooperation has been passed, doubtless a better legal document for an entire package of new economic rules. But the reformers were forced to take into account the attitudes of people. Written law cannot get far ahead of public opinion. It is clear to professional jurists, for example, that the death penalty ought to be abolished but such a law cannot be introduced; the society will not accept it. So it is here. I remember that we were sitting at a "round table" on television discussing the newly passed law on cooperation. We were praising it but also looking for defects. At the end of the meeting, the deputy minister of finance stood up and declared that a tax scale had been approved under which cooperative workers are obligated to turn up to 90 percent of their profit over to the treasury. He could have put it more simply: forget about what you have been chattering about here, it is we who decide. This time the press amicably condemned the arbitrariness of the financiers and defended the cooperatives. But this was when the society saw the future cooperative workers as knights without fear and without reproach. Later the extermination of enterprising people proceeded more joyfully. A special decree forbade cooperatives for the manufacture of arms and narcotics. Of course no such cooperative enterprises were registered—the existing laws did not permit them. The prohibition was not senseless, however: the same document also dispelled therapeutic, publishing and some other cooperatives that looked bad in the immediately vicinity of the narcotics business.

They then attached the cooperative workers to state cooperatives—let them work under orders from them and under their supervision. No sooner had they adapted when new misfortune befell them. I already said that the current economic mechanism creates ideal conditions for the enterprise collectives to raise wages without

increasing the production of output. In particular, plant incentive funds are growing rapidly. Actually plant workers are interested only in the economic incentive fund, which is distributed. The workers are rather indifferent to the two other funds (social-cultural and production development funds). The money there is not cash, it does not increase wages and there is no place to spend it, since the wholesale market is empty. Cooperatives then appeared at plants. They were reimbursed for expenditures to fulfill orders, including wages, precisely from the production development funds. Thus, noncash money was turned into cash.

The State Committee for Labor and Social Problems quickly caught on and put a stop to this practice: if you want to hire cooperative workers, settle accounts with them from the wage fund. And now if cooperative workers earn 10 rubles more than staff factory workers, the average wage at the enterprise will increase and can exceed the increase in labor productivity. Then, under the latest instruction (letter from the "gang of four"), payments to the entire collective will be frozen. It is not difficult to imagine the hatred that the regular staff worker has for the cooperative worker: I worked my tail off and you took your extra 10 rubles not from the society as a whole but from me personally, you son of a bitch. One has to be a very naive person to suppose that the State Committee for Labor and Social Problems did not calculate in advance such an obvious effect from their action. If everyone receives what he earns, why then have a committee? But to make trouble between different strata of the society means that coordination and regulation will be needed until hell freezes over. Bureaucrats are again involved.

It is possible to enumerate all the times the cooperative workers were deceived (what is the value, for example, in transferring taxation to local authorities!) but it may be sufficient to present an excerpt from the program report of our premier. After pointing out the "absolutely negative strivings of individual categories of cooperative workers," the speaker explained: "This does irreparable harm to the very nature of cooperation, which does not accept such elements as self-serving, easy profit, personal enrichment, greed and the ignoring of the interests of citizens. Unfortunately, all of this exists in our cooperative movement and provokes the anger of the working people. They are demanding the establishment of order." Notice how expressively this most dependable motivation for labor—material, monetary interest—is named here: personal enrichment, easy profit, greed, self-serving. I in my ignorance do not know the location of the incubators where they breed unselfish industrialists. Or has a method already been found to grow ideal homunculi in retorts to replace the traditional breeding of depraved human beings? For my taste, the old method is good enough.

Whatever, we are observing a disorderly retreat of reformers from the general direction, from the restructuring of property relations. Deprived of greed, disdaining personal enrichment and not having any property, this is

not a worker and not a citizen. This lumpen is indifferent toward himself, his family and the society. He demands bread and entertainment from perestroika, although it is written on perestroika's banner: do not count on the favor of the treasury, be the master of your own fate and you will gain your rights in labor. Perestroika will not stand on a lumpen social base. It was not worth beginning it if one's knees shake before the "anger of the working people" toward diligent, successful and industrious people. Those who have become frightened should get a little farther away from sin and not interfere, for the fight is serious. And then it will be clear who will get whom. If enterprising people win, their current opponents will not lose, for everyone will begin to live better. If the social parasites are victorious, there will be a common grave for them as well as the others, including the state. The outcome of the struggle depends upon whose side the authorities take. In the meantime, it is vacillating, getting him from all sides, as one would expect in a good fight. One cannot play up to the lumpen mentality indefinitely. Just recently sociologists asked 62,000 people what sector of the service sphere evokes the most reproach? In first place were the booths where they accept empty bottles. Well, what about it, is the voice of the people the voice of God?

Here we are not talking about individual cooperatives. I think that state ownership, which is now predominant, must undergo revolutionary changes and find a master. I am proposing a plan for the gradual transformation of state enterprises into joint-stock companies. One part of their value is created through centralized capital investments from the budget. Shares of stock belonging to the state are issued for this sum and the income from them goes to the treasury. The other part of fixed capital is paid through plant money. The corresponding shares will become collective property. The dividends from them can be used to expand and renew production and to build housing. Finally, shares of a third kind are the property of the enterprise workers. The share of the builder and watchman, veteran and newcomer should not be the same. A simple and, in general, just solution is to divide the shares of this kind proportionally to the salary received by each person during the entire time of work at the given plant. The income from securities will be a significant supplement to wages.

With the transition to self-financing, the treasury will not invest money in expanded reproduction at operative plants and so it will not receive new shares of stock. Meanwhile, the value of fixed capital doubles every decade or perhaps in 20 years. It is clear that the state stock package, since it remains unchanged, will occupy a smaller and smaller share of the value and the enterprise will gradually become a joint-stock company. Treasury receipts will not necessarily decline. The treasury will get its share from taxes, as in the entire Western world. It would be extremely unreasonable to limit the right of stockholders to the unrestricted sale of securities. A capital market, which must necessarily accompany the commodity market, is looming in the future. Depending upon circumstances, the state, just as any possessor of

money, can buy up shares of stock or release them to the money market, thereby reducing or increasing the share of state ownership relative to private, cooperative and joint-stock ownership.

This will be a fundamental change in production relations, that is, in property relations, with far-reaching vivifying consequences in the economic and social spheres. In our version, perestroika attains clear prospects verified by world experience.

In reality, the capitalism described by Marx, in which the large enterprise was the property of one owner, has long since disappeared. As S. Menshikov (NOVYY MIR, No 3, 1989) reports, General Motors employs 750,000 workers and the number of people holding its stock is approaching 1 million, whereby no one among the large owners holds even 1 percent of the stock. In their time the founders of this advanced theory made considerable fun of the utopians who dreamed of buying back the factories from their owners: the poor workers, not having enough to pay for a mug of bad beer, tell everyone in the tavern how they are going to get rich as the collective owner. Is it not simpler, they are saying, to coin money from the silver of the moonlight? But life is changing. At the present time in the United States, there are 10 million people employed in enterprises bought back by the workers. The state is doing everything possible to encourage this form of ownership. And we should to....

The law on stock has been passed here. It could be useful in two ways. With the population holding a pile of empty money, there were those wishing to invest it in securities. This is more advantageous than holding passbook savings. Superfluous money was diverted from the consumer market, which helped to normalize the economy. This is the gain in the short term. A long-term benefit is also looming: perestroika of property relations began in the most powerful sector of the economy—at state enterprises. But another normalizing measure ruined the whole thing. As soon as the state took grim control of the relationship between the increase in labor productivity and wages, the first stockholders began to turn in their securities. Taking dividends into account, wages are rising more rapidly than labor productivity and payments on shares of stock had to be frozen. There was certainly no benefit from controlling the false relationship but, as you can see, obvious harm was done to perestroika. It is again a retreat by reformers and again it is from the direction of the main attack.

8

Only to a superficial glance have I digressed far from the conversation about coupons for sugar and soap. The transition to rationing is leading the development of production relations in a direction opposite perestroika. For six decades now, our workers have had no ownership of the means of production and for this reason they do not miss it so much; they have long ago forgotten what this is. We gradually got used to the idea that the product of labor belongs not to its creator but to the bureaucrat

who divides it as he sees fit. With the introduction of rationing for consumer goods, the alienation of the individual from ownership becomes total and reaches its logical end: now wages and personal income belong to the individual only nominally. Money is effective only after the bureaucrat has allowed you to buy the piece of sausage that he has measured off or a shirt or television. A fundamentally noncommodity economy arises, even in the literal sense that there are no goods in the stores but there is rationing.

Here it is useful to raise the classic question: Who benefits? They try to convince us that it is we consumers who benefit. Why, they say, should you stand in lines or pay too much—receive at a bargain price what you have coming to you under your coupon and go for the next item. But the distribution system is even more advantageous to those who are supposed to divide up the goods. They will not neglect themselves. Take, for example, the distribution of meat from national stocks, a measure of paramount importance to the state, there being special control over this. But why, if the product is in such short supply, is it always for sale in Moscow? Is there a desire to show off to foreigners, who do not know the true situation in the country? It is all simpler than this: the most important officials live in the capital and they took pains for themselves and their circle. In addition, let us be frank, the possible discontent of the Muscovites is more troublesome for the authorities than the grumbling of the meat eaters out in the provinces somewhere. Where are the officials next in importance? In the capitals of the republics. Those capitals also were not forgotten in the distribution of the meat stocks. The next most important? In the oblast centers. There is food there too, only not as much. Here are the corresponding statistics: 97 percent of the inhabitants of Moscow buy meat at state prices. It is 79 percent in the capitals of the union republics and 36 percent in the oblast centers. On the periphery, however, there is a whole hungry country that pays 5 to 10 rubles for a kilogram of meat.

Let us also remember that wages are higher in the cities. On the average for the country, the poor pay 4 rubles 20 kopecks for a kilogram of meat, whereas the rich (with a monthly income of 150 rubles or more per family member) pay 2 rubles 90 kopecks. Treasury subsidies to the state price are about 3 rubles per kilogram of meat. This is like a bonus to those who managed to live in the prosperous cities. Those with low wages buy 15 to 20 kilograms per capita per year so their bonus is 45 to 60 rubles. The rich acquire an average of 100 kilograms per capita, saving some 300 rubles a year. I recall a recent meeting with the academician Lavrentyev. Mikhail Alekseyevich told with humor how his guest, an English scientist, was surprised at our conditions: "It is the first time that I have seen a country where the rich are subsidized." Such is the social "justice" in the distribution system.

We amicably damn the closed distributors. The elimination of privileges has become a point in preselection programs that cannot lose. The essence of the matter,

however, is not that goods are distributed incorrectly and not according to merits. Everyone thinks that he is worthy. Every allocation is initially unjust, for it replaces the true measure of merits—money. Allocation, if you like, is immoral and quite capable of freeing the society from the vestiges of morality. Hard work for oneself and family, personal dignity and honesty become superfluous, even burdensome, when the well-being of the family depends upon the favor of a bureaucrat who issues a coupon for a scrap of happiness. Fawning before the last of the bosses, torn by the conflicts for a piece of soap, and vigilantly watching so that our neighbors will not take more than we—what kind of a society will we be?

The peculiar nature of the moment, however, is that the economy still has nothing with which to reward virtue. If there is no rationing, retail prices will rise, otherwise we simply cannot survive. I vote for the second alternative, recognizing how unpopular such a prospect is. I once expressed this difficult imperative on television and got abusive responses that were even insulting: we, they said, believed you and it turns out that you sold out to the authorities and are agitating for a rise in prices. A mother from a family in Perm sent a whole notebook showing her income and expenditures: explain to me how I can live if everything gets more expensive.

I will try. First of all, rationing does not prevent a price spiral. After all, it is not the first time that we have utilized a rationing system, so the scenario of events is well known. First there will be a increased stratification of state and market prices. This has already happened historically. Rationing coupons were introduced in 1929. In 1932, market prices exceeded rationing prices by a factor of 8 and by a factor of 12-15 in 1933. The state, of course, could not allow such overpayments to by-pass the treasury. As early as 1931, one-tenth of the goods passing through state trade were sold in so-called commercial stores at market prices. A year later, it was 39 percent. It is easy to calculate that the average level of prices in state trade increased by a factor of almost four. They abolished rationing coupons in the years 1933-1936, having simultaneously raised the prices on all kinds of goods by a factor of 5.4. Events developed about the same way in 1941-1946, when a rationing system was again in effect. There is no reason to think that it will be any different this time.

The charm of rationing and coupons is that through their use the state is able to ensure a minimum ration to all and thereby suppress discontent. The continual creeping increase in prices under free trade is clearly also not so wonderful but then we can hope that our trade unions will remember their direct obligations. For the time being, they are calling on us to work more diligently, which, of course, is not superfluous. They do not do so well with protecting the interests of the workers. In our version, this picture will not necessarily be fantasy: in entering into a collective agreement, the trade union demands an increase in wages commensurate with the rise in prices. And if it is afraid to demand this, we will choose another trade union committee. Thank heavens we have glasnost.

I can anticipate the objection: What will we gain here other than a new round in the inflationary spiral? Do not tell us. All the consequences of the commodity shortage and the price spiral have now been put on the shoulders of consumers. When the increase in money income settles precisely in savings books and jugs, then it is quite clear that the state, without having asked us, has freed itself from concern about covering these hundreds of millions of rubles with goods. The state has irresponsibly used the manpower, raw materials and equipment that should have been expended for the production of goods for rubles set aside in savings for objectives known only to it, whether it be the failed priority development of machine building, the disastrous land reclamation program, the fruitless investments in the lands poor in chernozem, the support of nonviable regimes abroad, or something else. But when wages start to increase commensurately with the rise in prices, the authorities will not be able to snuff the satisfaction of solvent demand to later, to those happy times when programs of Napoleonic proportions are realized. Give to the consumer what he is due today, right now. There will probably be fewer budgets full of holes and rotten plans. And if planners do not learn to make ends meet, the hidden bankruptcy of the treasury will finally become obvious to everyone.

Perhaps then a bold person will show up who will stand in front of the television camera and declare: "Brothers and sisters, my friends! The state cannot feed you or provide shoes or clothing, nor is this its task. Feed yourselves as best you can and we will firmly promise one thing: we will not interfere any longer. What is in our power is to defend the peasant against his aggressive neighbor and to safeguard the cooperative worker against bandits and the plant worker against plans and precious instructions." This is a lot. Actually it is quite a lot, for such a turn of events is the beginning of perestroika in the economy. After that, much awaits us that is both good and bad but the vector of change will be aimed at a healthy national economy.

So far neither the authorities nor the society is prepared for such a change. We still think that the state will somehow get itself straightened out and provide an abundance of goods at stable prices. If it does not, we will call in some other bosses, for there are so many of them who promise to double wages tomorrow, to support mothers until the kids begin school and to give everyone a dacha and an apartment. This will not happen. We cannot avoid paying for our old sins and current inaction. But we can and must mitigate the consequences of indecision and outright mistakes in carrying out perestroika. We still have some reserves and there is still a little room for maneuvering. It is necessary to carry out reforms immediately and comprehensively, because partial measures, even very good ones, do not work by themselves. We know what specific changes are needed and it is also clear where to start: abolishment of directive plans, transition to production based on customer orders, distribution of land to peasants, cessation of emissions, and movement toward free prices.



I understand as well as others that it is difficult to decide to do such a thing in the existing situation: we got involved in reforms and the store counters became empty. They will be empty whether we carry out perestroika or not but you cannot explain this to everyone. The market has to be normalized in any event. To prevent its definitive collapse, as economists have calculated, it is necessary to take an additional 70 billion rubles or so annually from the population. The country is not yet in a position to achieve such an increase in the output of goods that is real and not inflated. There is still the world market. Consumer goods that we buy there for 1 foreign-exchange ruble are sold within the country for 10 rubles. So it is necessary to find an additional 7 billion foreign-exchange rubles a year for the importation of consumer goods. That is a lot of money but this year's receipts from foreign trade will amount to 66 billion even though the conditions in the world market are not favorable for us.

Here it is necessary to clarify one important question. In his report to the Congress of People's Deputies, N.I. Ryzhkov said that in a year we will clear only 16 billion in real money, freely convertible foreign exchange, and he then presented a breakdown showing that there are no means for the purchase of goods for the people. It is surprising that no one among the deputies took any interest: Where are the remaining receipts? So it turned out that in a year we export 50 billion foreign-exchange rubles worth of our goods for false money that real merchants do not accept for payment? Who enriched himself in this way? Bring him here! We rack our brains about how to give a larger pension to cripples and he diminished the wealth of the country for empty money....

Such questions were not heard at the congress. Perhaps there should have been a hearing on this subject at the Supreme Soviet? To stimulate the conversation, I will give a few figures. Using statistical reference books, I calculated that we pay up to 11 times the world price for Cuban raw sugar and the annual overpayments are always around 3 billion in foreign-exchange rubles. This is full-value currency, for in exchange we supply oil, fuel, metal, timber and grain, which can be sold for dollars, pounds or anything else. So we have found 3 of the 7 billion rubles in foreign exchange needed for the normalization of the domestic market. And this is just one commodity for one country. Those wishing to do so can continue the search and they will find some very curious things.

In essence, national economic interests have been sacrificed to ideological postulates. Today, in contrast to Leninist times, our homeland is not seen by authorities as the base for world revolution but if one judges not by words but by deeds the minerals and wealth of the country are at the service of the socialist camp as never before. It accounts for two-thirds of the foreign-trade turnover. The export of our wealth there has not made anyone happy, however. I have been in the CEMA countries and there they are convinced that they are feeding us.

And changes are not foreseen. The section of N.I. Ryzhkov's program report on foreign trade states: "As before, priority attention will be paid to the strengthening of reciprocal relations with socialist countries..." If that is so, one cannot count on the use of foreign exchange to stabilize the consumer market. But who is at fault here?

Large sums can be collected from the sale of building materials to the people. But the stores are empty (I know, for I am building a garden house). If you release enough round timber, boards, cement and bricks to the market, people building their own houses will begin to earn money and will forget about sleeping. Family people who do not drink much are our support and hope. But no, building materials have again been turned over to the departments and no matter how much you give them, it is still too little. They will again thank you for it by building another transcontinental railroad or a canal.

In short, the country has reserves. They must all be made subordinate to the carrying out of economic reforms, so that we can have results within 2 or 3 years. Otherwise we will eat up our defense and our foreign exchange and as a result we will again be left with nothing.

The main points of this program differ from the proposals of the titled economists. Indeed, since November of last year something like the very latest official course has developed in the management of the economy. It differs greatly from the original plans of perestroika. Until recently, reformers were accused of timidity and inconsistency and they immediately gave a plausible explanation: the anti-perestroika forces are too influential; the functionaries are offsetting progressive undertakings and distorting the new principles announced from above. Today, in my view, the situation is different: the decisions themselves made at the highest level constitute in their totality a rather integral, logically not contradictory and, alas, overly familiar concept of the command regulation of the economy. It seems as though its authors themselves do not believe in the ideas of perestroika and are again pushing the seemingly rejected planning-command system: bring out and reveal your might for a final time and then we will begin reforms. They will not do it. So is it not time to defend perestroika against its initiators?

Let not the promises to return to reforms after the normalization of the economy lull anyone into euphoria. This undertaking is doomed. It is possible that the time allowed for the manageable process of change has already run out. Unless I am mistaken, the reserve of time is measured not in years but in months, for the economy is collapsing before our very eyes. Normalizing measures short of or instead of reforms will not work. Having lost time, we will still begin a radical perestroika, for we simply have no other chance to survive. But we will be forced to restructure ourselves in a situation of economic chaos. If we were able and did not do it, history would not forgive us such negligence.

## Footnotes

1. In the article, "It Is Not Yet Too Late" (KOMMUNIST, No 3, 1989), the economist V. N. Bogachev turned his attention to this fact: beginning in 1966, there has been a steady increase in that part of money income that the population does not have the opportunity to spend and is forced to put into savings accounts. According to his calculations for 1976-1979 and then from 1984 to the present, deposits are increasing by an amount larger than the entire increase in money income. Without in any way disputing the basic idea of the scientist, I will risk expressing my doubts about the accuracy of the estimates. If the entire monetary increase went to savings accounts, what was used to pay for the increase in the commodity turnover? And it, as we saw, is measured in tens of billions. It is not significant here whether the commodity turnover increased because of real sales or as a result of higher retail prices; whatever the case, the commodities are paid for with cash. Or is it possible that the money was put into circulation from stockings? At the same time, according to my calculations, the main source of the increase in the commodity turnover was the rise in prices, so that one can agree with the author when he cleverly notes: "Well-being increased only in an abstract monetary form."

2. V.I. Lenin, "Polnoye sobraniye sochineniy" [Complete Collection of Works], Vol 44, p 157.

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## INVESTMENT, PRICES, BUDGET, FINANCE

### Measures To Stem Inflation Reviewed

904401174 Moscow PRAVITELSTVENNYY VESTNIK  
in Russian No 26, Dec 89 p 8

[Article by V. Senchagov, chairman of the USSR State Committee on Prices: "The Goal: To Hold Back Price Increases"]

[Text] Unfortunately, despite the steps being taken, destabilization of money circulation and the imbalance of effective demand of the population are increasing. According to data of the USSR State Committee for Statistics [Goskomstat], unsatisfied demand currently is more than 165 billion rubles. The shortage of goods is expanding and becoming more acute. Saturation of the market with goods is lagging considerably behind the increase in personal incomes. Compared to the corresponding period of 1988, personal monetary income for January-October of this year increased 12.9 percent, while consumer goods production increased only 5.8 percent.

Certainly, all these negative processes have a powerful effect on the level of retail prices and the assortment of goods being produced. Retail prices are increasing in the

country, which is expressed both in their direct increase for certain items and in the "erosion" of the assortment of inexpensive goods.

In the current 5-year plan, as we know, state retail prices increased for wine and vodka items and for new kinds of bread. As far as smoked sausage and smoked foods are concerned, their cost rose, since they began to be traded through consumer cooperatives at cooperative prices. At the same time, state retail prices for similar imported products were also raised to this level. There were no other centralized measures in relation to retail price changes.

However, it must be noted that the level of prices for potatoes, fruits, and vegetables, which were approved by the councils of ministers of the union and autonomous republics and by local administrative bodies, have increased. In 3 years of the current 5-year plan, prices for potatoes increased 22 percent, and prices for vegetables increased 18 percent.

Such is the situation today, and you would not call it simple. Judge for yourself. According to the USSR Goskomstat, the state retail price index in 1988 compared to 1985 was 103.6 percent. In other words, by increasing the list retail prices for individual goods, the entire mass of goods sold to the population became 3.6 percent more expensive. But the increase in the average retail prices (of the actual sale) for all the most important groups of goods continued and was 7.3 percent for the period indicated.

The process of retail price increases is most graphic in light industry, for which intensive quotas for profit and volume of deliveries in retail prices have been established. But enterprises have been granted the right to set temporary retail prices themselves with markups of up to 15 percent (before the start of this year it was 30 percent) for new items (with the index "N") and also, by agreement with trade, contract prices for particularly fashionable items (without limiting the size of the markup). The percentage of production of goods with the index "N" increased from 26.8 to 28.3 percent from 1985 through 1988, and goods with the index "D" [contract] increased from 1.4 to 10.1 percent.

The considerable increase in the output of goods at increased prices was wrapped up in an "erosion" of the assortment of inexpensive goods. For example, Leningrad light industry enterprises exceeded the quota for production of products with indices "N" and "D" by a factor of 1.5 in the first half of the year, while they fulfilled only 90 percent of the plan for production of goods at fixed prices (without markups). The shortfall in various moderately priced products for the population was almost 100 million rubles.

The output of goods at higher prices, ensuring an increase in production volumes in terms of value, is often accompanied by a reduction in their volume in physical terms. Thus, in 8 months, compared to the same period last year in light industry, the production of

hosiery increased 5 percent in terms of value, but in physical units their output decreased 0.8 percent. Production of footwear increased only 2 percent, although in terms of value the increase was 6 percent.

In connection with the complication of the situation in the consumer market and the manifestation of negative tendencies in retail price formation directly reflecting on the standard of living of broad sections of the population, the USSR Supreme Soviet adopted the resolution "On Additional Measures To Stabilize the Consumer Market and Increase State Control over Prices." The resolution calls for a wide series of measures aimed at coordinating and regulating three most important elements of the market: prices, supply of goods, and effective demand. The main goal is to protect the interests of consumers, especially those with low incomes, during the difficult transition period of perestroika.

To do this, it is necessary to resolve the most urgent price problems and, above all, take steps to ensure social protection for low-income population groups. For this purpose, the USSR Council of Ministers has defined a list of high-demand goods, the level of state retail prices for which remains unchanged in 1990.

In order to preclude an increase in retail prices for basic food products and certain socially important nonfood consumer items, restrictions on the use of contract prices are being introduced temporarily. Paragraph 10, Article 17 of the USSR Law on State Enterprise (Association) relating to establishing contract prices for basic food products sold in state trade, other than potatoes, table grapes, fruits and vegetables, and products processed from them, and also for certain groups of socially important nonfood consumer items, primarily for children and the elderly, has been suspended for the fourth quarter of 1989 and for 1990. Preparation of a list of these goods is being completed and will be approved by the USSR Council of Ministers by agreement with the All-Union Central Council of Trade Unions.

At the same time, the USSR Council of Ministers directed that, beginning 1 January 1990, contract prices for new nonfood consumer items cannot be established with a markup of more than 30 percent of state retail prices.

In order to prevent uncontrolled price increases for fruit and vegetable products and potatoes in conditions of using contract purchase prices for these products, the supreme soviets of the union republics have considered the question of establishing maximum retail prices, differentiated by seasons. If necessary, there is a possibility of paying subsidies from the local budget to make up the difference between the maximum retail and contract purchase prices.

As is known, beginning this year, in accordance with earlier adopted resolutions of the USSR Council of Ministers, the composition of the state order passed on to the enterprises of light industry calls for a quota on the output of the most important groups of goods at socially

low prices for children and the elderly. A list of these goods has been approved, and maximum prices have been established. The procedure for selling these goods must also be determined to guarantee they are acquired by the appropriate population groups.

A strict state discipline in forming and employing retail prices is needed to protect the purchaser from any attempts to violate the prices in effect. The USSR Council of Ministers resolution "On Steps To Eliminate Shortcomings in the Established Practice of Price Formation" calls for, in particular, creating in the country a unified nationwide system of monitoring observation of price discipline.

The currently existing monitoring apparatus in price formation bodies, amounting to about 300 people for the entire country and for the entire mix of products, numbering approximately 25 million, is simply physically unable to accomplish proper monitoring. The necessary number of inspectors-monitors, at one inspector for 50,000 residents, have been allocated for all regions of the country in accordance with this resolution to ensure functioning of the monitoring system.

These specialists have been added to the staffs of ispolkoms of local soviets of people's deputies. With the involvement of broad sections of the public, people's control, trade unions, and the mass media, they have to create an effective barrier to unjustified price increases.

The essence of all the measures in the area of prices does not boil down to prohibiting price increases completely. Economically substantiated establishment of prices for goods varying in quality and consumer characteristics depending on this also assumes a different level of them. Here it is important that a wide assortment of goods (both inexpensive and expensive) always be for sale to satisfy the demands of the population having different income levels.

To stabilize the consumer market, in addition to price measures, there are also measures planned for saturating the market with goods according to the rapidly growing effective demand of the population. In order to end the unjustified export of goods and products needed by the population, the USSR Supreme Soviet temporarily suspended (for the fourth quarter of 1989 and for 1990) Article 19 of the USSR Law "On State Enterprise (Association)" relating to the conclusion of agreements and contracts for exporting consumer goods and raw materials for their production above quotas established by the plan. It has also been considered expedient to institute licensing of exports of consumer goods and the main types of raw materials for their production. Now, enterprises cannot sell their products abroad if they have not fulfilled the domestic market delivery plan.

In 1990, as a part of the state order called for in the plans of economic and social development of the USSR and the union republics, production and delivery to market of the most important products of light industry will be determined in physical terms (fabric, clothing, footwear,



knitted wear, and hosiery). To a certain extent, this will limit attempts by enterprises to increase production volumes by setting prices too high. The opportunities for state order to influence the formation of a trade market are also expanding. Now, in addition to the planned mix of cultural and personal goods and economic goods, it also includes production of the main types of raw materials of goods being completed and materials for their production.

The ministries and departments of the USSR and the union republic councils of ministers have also been instructed to take the necessary steps at the end of this year and next year to remove the tension in providing the population with many of the simplest goods—synthetic detergents, toothpaste, school uniforms, notebooks, pantyhose, zippers, primary cells, razor blades, soap, and others.

Quite naturally, the question comes up that objective information on price dynamics is needed to control the process of price formation. To this end, the USSR Goskomstat with the USSR Goskomtsen [State Committee on Prices] have been tasked to develop in the first quarter of 1990 a system for calculating price and inflation indices, and the USSR Goskomtrud [State Committee for Labor and Social Problems] with the All-Union Central Council of Trade Unions have been tasked to prepare proposals for introducing appropriate compensation payments to the population with fixed incomes, especially low-income population groups.

The question of the size, methods, and times of compensation to the population for the rise in the cost of the standard of living is also being examined, especially for low-income groups. In particular, methods are now being developed for calculating the minimum living wage. In the near future they will be submitted to the government.

#### **Ruble Convertibility, Price Reform Needed for Economic Success**

90440055A Moscow *EKONOMICHESKAYA GAZETA* in Russian No 44, Oct 89 pp 4-5

[Article by N. Petrakov, USSR people's deputy, USSR Academy of Sciences corresponding member: "Money, Prices and the Market"]

[Text] The difficulty of the current stage of introducing market relations and economic methods of economic management based on them is that in our economy the monetary system has been effectively undermined.

It is now clear what set of measures has to be implemented to make the economy monetarily and financially sound. We must drastically reduce inefficient centralized state investment in industry (bringing the volume of capital construction in line with true capacities of the construction industry while adopting its structure to efficient structural changes in the economy); sharply raise, by 10-to-15 points, the share of production of consumer goods and services in the overall output;

accelerate the rate of conversion of defense industries to consumer production and further cut military personnel; take decisive measures to direct the mass of consumer savings away from current demand (by selling apartments and summer homes, cars, etc.; issuing special purpose bonds, selling shares and bonds, raising interest rates on time deposits, etc.); and stop practically automatic loans and other forms of government subsidies to poorly performing enterprises.

First steps in each of these directions are being made. It can be debated how energetic and consistent they have been. One thing, however, is clear: a long time is needed to get tangible results in this area. For instance, changes in structural policy, even if we all rushed to carry them out, will bear fruit only in 6-to-8 years. Other measures will produce tangible results (i.e., affecting the whole economy) in 3-to-5 years. Is this too long? Do we have so much time?

I do not think so. At least two issues must be addressed immediately. The first is to create conditions to revive business activity for all economic units and all forms of enterprises. The second is to shift to the concept of an open economy, i.e., incorporating the Soviet Union into the international system of division of labor on a modern (or, as it is fashionable to say now, civilized) basis. A qualitative leap in the technological level of production of goods to satisfy consumer demand can not be accomplished without a broad economic and technical understanding of the requirements of world markets. To accept the rules of the game of the international currency and financial system does not mean an unconditional surrender to the capitalist market. On the contrary, we hurt ourselves and miss a lot both economically and politically by remaining on the sidelines of world economic relations.

To address the first issue we are objectively forced to implement monetary reform, since without a stable currency unit it would be unrealistic to expect commercial activity, enterprise and effectiveness of economic stimuli. The second issue requires a convertible ruble.

Monetary reform must begin now, without delay, and it must be combined with making the ruble convertible.

A stable currency unit is absolutely necessary for the incipient national market. If a market economy develops based on our inflationary currency, it will cause an explosive growth of prices, give marketplace advantages to monopoly state producers and individuals and groups with large financial and material assets which are usually illegally gained and trigger widespread demands for wage increases not based on better work but as an offset for price increases. Such a market will not last long.

So, we desperately need monetary reform. But how to implement it? Immediately, on a tight schedule, or gradually? History has a variety of examples. The introduction of the gold currency in the USSR in 1922-24 is a form of soft monetary reform that seems more suitable for the current economic situation. We need a stable

monetary system not in general or as an end in itself, but as a means of rescuing the economy. A stable currency would serve the market economy sector. Naturally, this sector can not cover our entire economy and a transitional period would be unavoidable.

If under these conditions we tried to introduce the new money everywhere at once, the heavy state sector with its inert system of administrative management would become a credit-generating mechanism and the benefits of monetary reform will be short-lived, disappearing quickly. It is not that monetary reform will allow to get rid at once of surplus cash (such surplus cash will emerge once again if structural and management ills of the economic system remain in place). Rather, monetary reform will fulfill its strategic goal if and only if our domestic currency is closely linked to the world currency system. This can not be done in one blow over the entire expanse of our country's economic life. Yet, it can not be delayed, either.

This means that the convertible ruble should first serve the sphere of activity of joint ventures, open sector enterprises (i.e., enterprises functioning as though within the world economic system) and enterprises producing export or potentially competitive goods (i.e., goods which provide direct import substitution). Such ruble has to have a real exchange rate vis-a-vis the European Currency Unit and the main international currencies.

Naturally, a real exchange rate can emerge only if there is an internal currency market.

The introduction of a convertible ruble into circulation does not release government agencies from the need take a decisive course to improve the monetary and financial system of the economy. First of all, the internal value of the "soft" ruble must be stabilized.

The stabilization of the value of the internal currency unit is rendered more difficult as a result of the acute budgetary deficit.

To fight the government budget deficit we must cut inefficient government spending. Of course, an extremely important issue in this area is to reduce defense spending and convert enterprises of the defense industry to civilian production. But investment policy as a whole must be revamped as well.

Investment policy must be decentralized and based on economic efficiency indicators, as opposed to administrative ambitions of state agencies and state planning entities. The Soviet economy needs to create a capital market. Banking reform could create competition in the area of capital supply. A system of commercial banks, including cooperative banks, would encourage economic enterprise, reasonable risk and economic competition. Pluralism in investment activities would also be fostered by the broad dissemination of share ownership as a form of concentrating and redistributing financial resources.

A major problem in setting up a socialist market is developing a new attitude toward the price system.

There are two alternatives for implementing price reform and reforming the price setting system: to change the general level of wholesale, purchasing and retail prices in one go or to review gradually and directly all types of prices while bolstering each stage by appropriate measures to effect strict control over the dynamics of enterprises' and the population's earnings, dismantle the investment system of distributing material resources, reduce inefficient government expenditures, improve investment policy, change the tax system and boost the role of banks in normalizing the money supply situation.

One advantage of a one-time global review of prices (perhaps the only one) is a hypothetical possibility to sever in one blow all past baggage, to make prices reflect the true state of affairs which has emerged as a result of structural policies of the past decades and to create formal conditions for industries to become self-financing—i.e., to clear perestroika's work space from dead wood in price policies.

In my opinion, however, it would be practically impossible to realize this advantage because:

- when prices for millions of goods are reviewed, it is impossible to take into account real conditions of their production and how efficiently each input is used. The correct concept put into the system at the top will inevitably translate into routine mistakes when a huge number of prices on actual goods are computed;

- the preparation for a one-time revision of prices is always based on a wave principle, moving in a wave-like fashion from raw materials to consumer goods and services. Centralized price reform is nothing but a system of hidden and open subsidies to consumers for higher prices on producers' goods. Such subsidies destroy the chance to use prices as a lever to encourage conservation of resources, more discrimination in selecting investment opportunities and balance of supply and demand in wholesale trade and on the consumer market;

- price reform as a one-time government act will in the real economic situation mean running ahead of the pace of general reform, since the general conditions of a socialist market described above form extremely slowly. One-time price reform will not accelerate those processes. Rather, the other way around. Introducing market forces means giving life to prices and making them more flexible and dynamic. One-time price reform is a switch from one system of frozen prices to another;

- and, finally, sudden reform of retail prices, which will take the form of a general significant price increase, is unacceptable socially and offers no benefits from the point of view of making the economy more healthy.

The second form of price reform as a gradual transition to a flexible, dynamic system of price setting seems more attractive.

The following observations are due on this version:

- wholesale prices in raw-materials industries should be raised in a coordinated manner in the course of 4-to-5 years starting in 1990 in order to bring them steadily into line with the absolute and relative price levels for raw materials and energy in world markets. This process should be generally completed by the end of 1995;
- wholesale prices for the output of the machine building industry and other primary industries should be regulated based on the need to shift steadily to wholesale trade. It is possible that at a certain stage two prices will exist for the same product: one will cover goods produced on state orders and another goods freely sold on direct contract with users or with State Supply agencies. (This process has already begun.) Free prices should be widely used also in selling technological innovations and when enterprises buy goods using their development funds. The USSR State Supply Agency should shift from organizing wholesale fairs to establishing goods bourses and auctions;
- and purchasing prices should be set only for standard staple agricultural products, with as few special zones as possible. The strategic path to reforming the price setting system in agriculture is to set centrally the amount of rent charged while refraining from state interference into price-setting on actual prices.

A shift to a flexible, dynamic system of retail prices given the surfeit of money in the hands of consumers would mean legalization of inflationary processes. This means that the government should reject separate and uncoordinated anti-inflationary practical actions and switch instead to developing a policy of managed moderate inflation.

The system of wholesale and retail trade in consumer goods must also be radically reformed. The basis of such reform should be selling on consignment.

#### **U.S. Federal Reserve Member Recommends Gold Standard for Ruble**

904A0020A Moscow IZVESTIYA in Russian 8 Oct 89  
Morning Edition p 4

[Interview with Wayne Angell, U.S. Federal Reserve Board member, by M. Berger: "The Gold Standard, Not the Gold 10-Ruble Coin, Will Stop Inflation and Restore Confidence in the Ruble, Says the American Banker"]

[Text] Wayne Angell is a member of the Federal Reserve Board (Fed), the U.S. central bank. The Fed plays a key role in regulating the U.S. economy. Wayne Angell is known not only as a high-level financial administrator but

as an economist as well. His interests include the problems of transition from a tightly centrally planned economy to a market economy.

Recently, Wayne Angell was in Moscow where he met with officials from the USSR State Bank, scholars from the USSR Academy of Sciences' Institutes of the USA and Canada, World Economy and International Relations. The Fed member spoke to our correspondent about economic reform in the USSR.

[Berger] Mr. Angell, very generally, how did you see our economic problems from afar and what do you think of them now, having seen them firsthand, albeit for a short period of time?

[Angell] Our countries are both great powers. We resemble each other as far as our wealth of natural resources is concerned. The desire for world harmony and prosperity is also our common trait. At the same time, I do not think that the USSR fully utilizes its natural, economic and other wealth. Faster socio-economic development in your country would help to raise the welfare not only of the Soviet people but of other people of the world as well, as world resources would be used more efficiently.

I do not consider myself an expert in the Soviet economy. This is why the ideas which I would like to share with you draw on the laws of development of any market-oriented economy, whether it functions based on private, public or mixed property.

A market economy cannot function without proper money performing a variety of useful functions. It acts as the store of value, a universal tender in transactions and a means of savings and wealth creation. If a country's monetary system helps maintain the price level stable and at the same time offers flexibility to balance money supply with the national economy's need for cash and credit the system functions successfully and provides a solid monetary anchor.

Experience of monetary regulation in countries with market economies has seen several types of such anchors. As to centrally planned economies, here money is not required to perform its usual functions. This is why any country shifting from a centralized form of production to a decentralized, market economy faces the difficult task of creating a currency on a principally new basis, when the economy needs real money.

[Berger] You have raised a very important issue. It can truly be called pandemic. The issue of currency circulation interests literally everyone in our country. Discussions about money supply and inflation can be heard on public transportation or at the stadium. It is hotly debated in many Supreme Soviet commissions and committees, regardless of their purpose. Many means to fight inflation are being proposed. The range of ideas includes introducing universal rationing and a coupon system

(the hot approach) and using a parallel currency or the gold 10-ruble coin which bailed us out in the 1920s (the cold approach).

[Angell] Maybe there is something I do not understand, but the view of the gold 10-ruble coin as a parallel currency is a misconception. As far as I know, the gold 10-ruble coin was introduced in the 1920s not as a parallel currency but as a means to overcome the deficiency of the money that was in circulation at the time. That is, it was introduced not as a complement but a replacement of the currency, and was quite successful in that task. In other words, we have here plain and simple monetary reform, albeit carried out in an unusual manner. I think that in today's conditions monetary reform is socially dangerous and ineffective from the economic point of view.

You will not achieve your goals until the Soviet currency unit, the ruble, does not acquire the same purchasing power all over the country. The quickest and the most efficient way to achieve this would be to introduce a gold standard. For monetary policy to keep the price level in check and to provide relative flexibility at the same time, a system to control money supply growth is needed. Your government should attach a fixed value to the ruble in gold and guarantee its convertibility at this rate first for Soviet citizens and later for the rest of the world. By taking this bold step, the Soviet Union will immediately get a stable store of value, which is a necessary condition for the development of normal market relations.

Without stable, credible money, you cannot expect Soviet citizens to support reforms, since the existing money provides little inducement.

[Berger] Judging by the lines to jewelry stores, which have lengthened considerably of late, people not only still trust in gold, but their confidence in it has grown, something which could not be said of the ruble. Perhaps if your idea turned out to be acceptable and were adopted after a detailed study, people would stop viewing money as pieces of paper which lose their value every day, since every ruble would be guaranteed by a known and firmly fixed quantity of gold which one could get if one wanted.

It may also stop the buying panic, the desire to invest increasingly cheapening money into anything, regardless of actual need. It may also be that the issue of introducing individual republican currencies, which some economists have raised in the Baltic republics, would lose its appeal. The Baltic will want to hold rubles which could be converted to gold, especially since the region does not have its own gold production.

Indeed, it is an alluring prospect. But how feasible is this hypothetical proposal?

[Angell] I have no doubt that a ruble supported by a gold standard will be viewed as a stable currency inside the country and as a potentially convertible currency in the world market. On the other hand, we must not forget

that given the current slow pace of reform, the risk of failure is extremely high, primarily because of the loss of confidence in the ruble and its inflationary devaluation.

[Berger] But why the gold standard? No other country currently uses this form of convertibility.

[Angell] Do not forget that Western countries have been through a long period of gold convertibility, which gave their currencies stability that was not based on gold. The Soviet Union avoided this stage, but it may profit from it if its government bolsters its currency with a unit of gold. The ruble that is convertible to gold will radically simplify problems of controlling money supply, combating inflation and mopping up excess money in the economy. The task of the State Bank and the Ministry of Finance will be limited to maintaining a certain convertibility rate between gold and the ruble. Without a gold ruble, the State Bank will not be able to solve this problem. In essence, it has neither the right nor the means to regulate the growth of money supply and ruble accounts in order to stabilize the ruble.

But let us imagine that the State Bank, for instance, refuses to monetize the government deficit by printing money. But this will not be the best solution. Soviet citizens and your foreign partners will still have much doubt as to the future course of events. Confidence in the ruble's stability will remain an open issue.

The USSR has extensive gold reserves which are not used efficiently. Yet, they have a great power to infuse confidence into the government's monetary policy.

[Berger] I can predict that among Soviet economists, both in academe and in government, your idea of the gold ruble will meet with serious opposition. I can even formulate the main objections to a gold-convertible ruble. There are two of them, generally speaking. The first one is related to the issue of what can and what cannot truly restore the health of the monetary system. Most people are convinced that a healthy monetary system and a strong, stable ruble can only be attained if the goods market is fully saturated and balanced. In other words, as soon as we increase the efficiency of production, industry and agriculture and fill warehouses and shelves with goods, the ruble will become healthy and stable all by itself. It is in the production of goods and services, not in the area of money, that the key to improving money, credit and government finances must be sought.

[Angell] Allow me to answer this objection first. It would have been preposterous to argue with the part of your thesis which states that a healthy organism is healthy in all of its parts. However, in the modern world such a situation is extremely rare. All governments strive to achieve it, with a different degree of success. As the experience of Western countries has shown, a saturated goods market is no guarantee of a stable and balanced monetary system. Contemporary economic history knows many examples of less wealthy countries who have stable currencies, which is a powerful factor helping



them to develop production, establish competitive industries and raise the living standard of their population.

Thus, there is no automatic balance between the areas of goods production and of money occurring as wealth is accumulated. It is rather the other way around: central banks in developed countries need greater and greater efforts and skills to regulate monetary flows. In a social market economy, there are profound and multifaceted interconnections and interdependence between these two areas. I emphasize the word interdependence, and not a one-sided dependence of the monetary area on the production area as the above-mentioned objection seems to assume.

I am convinced that the improvement of the monetary system and the stability of the ruble must precede the restructuring of the economic system and not follow it. This is my opinion of the first objection. What is the other one?

[Berger] This one stems from the fear that if the ruble were made convertible, a universal outflow of gold would occur and soon all the gold would transfer from government vaults to private hands, whereas all the economic problems caused by excess money supply would still be here. The end may be very sad: the convertibility would be abolished but the government's gold reserves would be exhausted. What can you say about this scenario?

[Angell] I must state that your logic is based on the false understanding of the role of the gold convertibility of the ruble in the country's monetary system. You think that gold in this system is like blotting paper, mopping up and pumping out all excess money. Something like a constant drainage system: no matter how much it rains money, it will all be taken out of circulation and into gold. This is a mistaken understanding of convertibility.

Gold convertibility is not a drainage system. It is a fine-tuning mechanism for the central bank to regulate money supply. If the population buys more gold than it sells to the state, it is a signal that deflationary measures must be taken to reduce money supply by raising interest rates at savings banks and offering other inducements to save, such as selling attractive monetary instruments to consumers, apartments, homes, etc. It is also a signal to the government to reduce its budget deficit.

With the help of these tools the government regulates demand for the metal and strives to achieve balance between purchases and sales of gold. The automatic element of this policy for the monetary system is the fact that the government guarantees the stable purchasing power of its currency. As you see, the gold convertibility of the ruble does not entail a complete sell-off of government reserves.

Of course, one must assume that some amounts of gold will be bought by the population. The exact quality will depend on how much confidence the population has in

government policy and its ability to defend the gold convertibility of the ruble. In any case, there is little probability that those who hold rubles would immediately run to convert them to gold. Most people prefer to look at the screens of their color television sets and not at the golden glow in their saves. Consumer goods remain real and desirable objects.

In addition, I should stress the unique situation of the Soviet government. Unlike other governments facing a similar predicament, it has sufficient gold reserves to implement a reasonable economic policy while ensuring the stability of its monetary system and supporting the gold standard of the Soviet ruble.

This is, in a manner of speaking, the conceptual part of my answer. There is another, technical side of the issue, which should be decided by the government. This refers to the exchange rate for gold at which point the government declares its readiness to support the ruble and to defend it with all of its resources. Gold should not be made too cheap, otherwise reserves will be quickly exhausted. It should not be too expensive, either, for in this case it will be the source of additional inflationary pressures: the high price for gold will devalue the existing savings of Soviet citizens and in effect deprive them of their rewards for past labor.

[Berger] Are there any scientific criteria for setting the optimal exchange rate between gold and the ruble?

[Angell] As a benchmark for an exchange rate at which the price level is stable, you can use the international ratio of gold prices and the price or wage levels.

I think that the best rate is that at which supply and demand for gold are balanced. It is somewhere in the middle between the official rate and that of the black market.

I would propose that Soviet officials first spend some time watching the internal gold market to find the answer to this question. My otherwise very limited view is that, taking everything into account, the optimal price will be 45-47 rubles per gram or 1,450 rubles per ounce. This in turn represents a rate of 4 rubles per dollar, based on the world price for gold. Incidentally, the ounce could also be the optimal quantity for convertibility.

At the same time, a rate equivalent to 2 or 3 rubles per dollar would be better from the point of view of doing justice to those who save a large share of their incomes, who put something aside for the rainy day and make sacrifices. To be sure, the choice of the optimal exchange rate for the ruble is not purely a technical matter but will in a large measure reflect the government's economic policy. In any case, the current official exchange rate of the ruble, at the level of 65 kopeks per dollar (which is equivalent to 8 rubles per gram of gold), is clearly too high. On the other hand, the black market rate, where the dollar sells for 10 rubles (or 125 rubles per gram of gold), is clearly too low.

[Berger] Clearly, the introduction of the gold standard will greatly help us in solving the problem of making the ruble convertible to other currencies, in particular to the dollar.

[Angell] The introduction of gold convertibility for the ruble will have the effect of making the Soviet currency convertible to all Western currencies based on the exchange rate implicit in the price of the quantity of gold in one ruble if sold at the current price in the world market. The Soviet ruble will immediately become integrated into the world currency system as a full-fledged convertible currency.

I know how carefully Soviet government authorities approach the issue of the ruble's convertibility. They fear the flight from the ruble to the dollar, with all the ensuing consequences. It should be admitted that these are well-founded fears. Indeed, this risk exists, which is a reflection of the lack of confidence in the ruble, a monetary unit without stable internal value.

But the attitude of foreign currency markets to the ruble would change radically if the ruble became convertible to gold. I am convinced, for instance, that the Soviet government would get an exceptionally warm welcome for its ruble-denominated securities on New York and London financial markets if the conditions for repayment, including the payment of interest, spelled out the right to convert to gold on the request of the creditor. I do not doubt that such securities would be snapped up at an interest level of 3 percent, which is the lowest level of sovereign interest rates for any country in the world, even compared to Japan. In the future, as they accumulate experience working with Soviet securities convertible to gold, the markets may even lower the interest rate down to 2 percent.

Thus, the introduction of the gold standard would solve the problem of making the ruble convertible on external markets. I believe that as soon as the USSR government declares that it pledges all of its assets to maintain the gold convertibility of the ruble, the demand for rubles will start to grow. Soviet citizens and foreigners will want to buy rubles and not to get rid of them.

[Berger] Your plan sounds very appealing. One may even get the impression that the gold standard is a panacea, the only condition for bringing about perestroika's success.

[Angell] Not at all. Other important questions remain concerning reforms needed to create market mechanisms whereby prices influence the distribution of resources and create stimuli, as well as the implementation of government tax policy. But I would advise you to introduce a monetary standard to avoid costly mistakes when

these important decisions are made. Without a stable ruble, Soviet planners and producers of material goods cannot take into account real economic forces and use them to assist development. In my opinion, deprived of a monetary standard of value, perestroika loses a unique opportunity to harness market forces to help it achieve its goals.

## REGIONAL DEVELOPMENT

### Interrepublic Trade Turnover Calculated in Domestic, World Prices

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[Interview with I. Pogosov, first deputy chairman of the USSR State Committee for Statistics, by A. Arkhipov, under "A Specialist's Point of View" rubric: "How Much Does Independence Cost?"; first paragraph is ARGUMENTY I FAKTY introduction]

[Text] Who is feeding whom? There are frequent debates on this subject in our union republics. Many regions of our federation will go over to territorial cost accounting beginning in 1990. How can the commodity turnover among the republics be assessed fairly and without offense if the imperfection of the domestic system of prices is common knowledge? Our correspondent A. Arkhipov talks about this with I. Pogosov, first deputy chairman of the USSR State Committee for Statistics.

[Arkhipov] Igor Aleksandrovich, the press presented some figures characterizing the importation and exportation of goods among the republics in domestic prices. It became known that these indicators were also calculated in the prices of the world market. What was the purpose?

[Pogosov] In commodity trade, many republics consider the domestic prices to be unfair and in conflict with world prices. It was precisely for this reason that we decided to determine how the commodity trade among the republics would look in the prices of the world market.

In world prices, the total turnover of output under interterritorial economic ties amounted to 306.9 billion currency rubles in 1987. It is made up of two parts: the exchange of domestic output among the republics amounting to 177.7 billion rubles and the external trade component (exports and imports) totaling 129.2 billion rubles. In terms of the total volume of imports and exports calculated in world prices, all of the republics except the RSFSR have a passive balance (a remainder). This is very evident in the table.

**Total Volume of Exports and Imports of Output by Union Republics in 1987**  
(in domestic and world prices: millions of rubles)

Republics	Imports		Exports		Excess of imports (-) or exports (+)	
	In domestic prices	In world prices	In domestic prices	In world prices	In domestic prices	In world prices
RSFSR	131,471	99,259	102,711	140,543	-28,760	41,284
Ukrainian SSR	50,179	49,374	43,998	43,956	-6,181	-5,418
Belorussian SSR	17,707	18,961	18,854	16,469	1,157	-2,492
Uzbek SSR	12,974	11,321	8,974	6,959	-4,000	-4,362
Kazakh SSR	16,352	16,147	8,811	8,494	-7,541	-7,653
Georgian SSR	6,059	5,286	5,744	3,515	-325	-1,771
Azerbaijan SSR	5,554	5,161	6,763	5,113	1,209	-48
Lithuanian SSR	6,968	7,861	5,870	4,326	-1,098	-3,535
Moldavian SSR	5,915	5,055	5,627	3,185	-288	-1,870
Latvian SSR	5,593	5,271	4,693	3,550	-900	-1,721
Kirghiz SSR	3,490	2,924	2,324	1,519	-1,166	-1,405
Tajik SSR	3,451	2,867	2,264	1,558	-1,187	-1,309
Armenian SSR	4,071	3,025	3,937	2,486	-134	-539
Turkmen SSR	2,925	2,605	2,447	2,500	-478	-105
Estonian SSR	3,633	3,316	2,944	1,964	-689	-1,352

[Arkhipov] And what would be the picture of inter-republic economic ties for the volume of output of domestic production if the reciprocal accounting among the republics was accomplished in world prices?

[Pogosov] This, it is true, cannot be seen in the table but only two republics would have a positive balance in world prices for the interrepublic exchange of domestic output: 28.5 billion rubles for Russia and 211 million rubles for Azerbaijan. The remaining republics would have negative balances—from 28 million rubles for Turkmenistan to 6.6 billion rubles for Kazakhstan. I will add that as for the second component, foreign economic ties, three republics would have exports exceeding imports in such a case: 12.817 billion currency rubles for the RSFSR, 130 million for the Uzbek SSR and 57 million for the Tajik SSR.

This has to do with the fact that for the majority of the union republics the prices in the world market are less favorable than the prices within the country. The output of light and food industry is relatively less expensive in the world market than in the domestic market, whereas petroleum products, gas, ferrous and nonferrous metals and many kinds of equipment are significantly more expensive in the world market than within the country. For this reason, many republics under the conditions of reciprocal trade under domestic prices actually receive a gain, acquiring raw materials and equipment at prices lower than those in the world market and exporting output from light and food industry at higher prices.

[Arkhipov] And what does the importation and exportation of output between the republics look like in terms of the domestic prices actually in effect?

[Pogosov] In all union republics except for the RSFSR, Ukrainian SSR and Turkmen SSR, the overall picture for imports and exports looks better under internal prices than under world prices. In particular, it is better by 3.6 billion rubles in Belorussia, by 400 million rubles in Uzbekistan, by 1.4 billion in Georgia, by 1.3 billion in Azerbaijan, by 1.6 billion in Moldavia, by 800 million in Latvia and by 700 million rubles in Estonia.

In interrepublic trade in domestic output under internal prices, the greatest surpluses of exports of output over imports were 3.6 billion rubles in Russia, 3.1 billion in Belorussia, 2 billion in Azerbaijan and 1.6 billion in the Ukraine. The Central Asian and Baltic republics and Kazakhstan have negative balances.

[Arkhipov] How, then, can one really assess the influence of world prices on the relationship between imports and exports?

[Pogosov] In the Moldavian SSR, for example, the overall balance of imports and exports in world prices would have worsened by 1.6 billion rubles in comparison with internal prices. The republic's economy would have suffered significant losses of 1.602 billion rubles in the output of the food industry, which is predominant in its exports, and 212 million rubles in agriculture, because world prices are lower than those set in the USSR by a factor of 1.9 for the products of viticulture, by a factor of 4.2 for the fruit and vegetable industry, by a factor of 4 for the tobacco industry and by a factor of 3.1 for meat and meat products.

In the Lithuanian SSR in 1987, the balance of imports and exports of output in the prices of the world market would have worsened by 2.4 billion rubles in comparison

with internal prices. Thus, whereas in internal prices the received oil cost 381 million and the gas 108 million rubles, the respective world prices are 1.555 billion and 265 million rubles. In world prices, Lithuania would have received significantly less for the export of its traditional goods: knitted goods (277 million rubles), meat and meat products (also 277 million), milk and dairy products (112 million) and fish and fish products (70 million), because the internal prices for these products are higher than world prices by factors of 3.2, 3.1, 1.9 and 1.8, respectively.

The Ukrainian SSR would have improved the balance of imports and exports of output in world prices by 763 million rubles, primarily through the export of the more expensive output of ferrous metallurgy (by 975 million rubles) and machine building (2.919 billion) and would lose in the importation of the more expensive products of the petroleum and gas industry (5.747 billion) and the exportation of food products less expensive in the world market (3.099 billion rubles).

As for the RSFSR, the dramatic improvement of the balance of imports and exports in world prices by 70 billion rubles would take place primarily through the exportation of the products of the oil and gas industry more expensive in the world market, accounting for 31.8 billion rubles, and machines and equipment, accounting for 10.1 billion. Also through the importation of less expensive products in light industry for 12.0 billion, the output of the food industry for 11 billion and agricultural products for 4.4 billion rubles.

[Arkhipov] What criteria are decisive in the examination of the prospects for economic independence?

[Pogosov] The economic independence of the republics is characterized more than the balance of imports and exports of output by the relationship between produced and utilized national income. Precisely it is affected by the results of the preceding social and economic development, the discrepancy between the prices for the output of the extracting and processing branches, the capital-output ratio and the conditions for the production and sale of output subject to the turnover tax and subsidized output. All of these circumstances must be reflected in the consolidated financial balance of the territory.

#### There Are Also Other Opinions

**G. Tynspoyeg, first deputy chairman of the Council of Ministers of the Estonian SSR:**

The casuistry with figures that we are talking about here is rather senseless, because the country has no up-to-date methodology to determine the balance of trade among the republics. For under contemporary conditions it is quite senseless to use rubles to establish equivalent exchange. According to these data, the entire country except for Belorussia and Azerbaijan is working at a loss in internal prices and Russia is the only exception under world prices. Meanwhile, according to the data of the

State Committee for Statistics published in No 49 of ARGUMENTY I FAKTY, the average market price of potatoes in October 1989 was 58 kopecks and the state price was 20 kopecks. But all of this time Estonia supplied Moscow with potatoes at the price dictated to us of 12.5 kopecks per kilogram, that is, below production cost. Did they really ask us when they raised the prices for mixed feed and farm machinery and thereby did not give us an opportunity to raise purchase prices for meat and milk? The losses merely through the increase in prices for mixed feed amounted to 75 million rubles.

We fought for economic independence and we want to introduce our own currency so that no one can call us parasites. We will live on what we earn. It is time to get away from blame and suspicions and from deliveries and obligations and to move toward mutually advantageous trade.

**Yu. Blokhin, deputy director of the Planning Institute of the Moldavian SSR Gosplan and people's deputy from Kishinev:**

The interbranch balances that serve as the basis for the data presented here and that were calculated under internal and world prices are estimated and provisional. And in no case can they serve to indicate that some republic or other is not living according to its means. For they characterize the scale of commodity exchange and the closeness of cooperation among the republics, which are parts of a single national economic complex. And they cannot show the real efficiency of each of them individually. Consideration should be given to the unequal capital intensiveness of production in the republics, the different profitability for the same output and the economically incorrect approach to the payment of state subsidies. Especially for agricultural output. For the payments are not made by consuming regions but by producing regions. A large and harmonious family does not calculate who ate how much. It is another matter when there is a divorce.

#### Republic Economic Autonomy Viewed With Caution

904A0040A Moscow TRUD in Russian 25 Oct 89 p 1-2

[Interview with V. Kvint, doctor of economic sciences and deputy chairman of the Scientific Council for Regional Economics of the USSR Academy of Sciences by TASS correspondent, Yu. Vorobyevskiy: "The Nationality Question and Perestroyka: Not To Miscalculate the Main Thing"]

[Text] The slogan image of a "unified family" personified for decades our friendship among the people of the USSR. How many holiday posters of international round dances were printed! However, today hands are no longer clasped in round dances. Records are being maintained. Friend to friend.



"How can we relate to this?" such was the question with which a TASS reviewer began a discussion with Doctor of Economic Sciences and Deputy Chairman of the Scientific Council for Regional Economics of the USSR Academy of Sciences V. Kvint.

[V. Kvint] It was not too long ago that my Estonian friends joked: our republic is the most independent. In the sense that nothing was dependent upon it. Today a great deal is dependent upon those who have found economic independence in Estonia and Lithuania. Right up to international stability. Let us give proper credit to our Baltic friends: they were the first to pose the necessary question regarding the economic relationships of republics. However, I was immediately alarmed by their proposals for regional cost accounting. First of all, frankness is not enough for perestroika. The impression is created that the chief goal is political autarchy. For the sake of this idea, the eyes of many have been closed to the real facts. The republic's population should be informed regarding the threat to their standard of living. It will decline inevitably if retaliatory measures are undertaken by Russia in response to Baltic cost accounting. And this is by no means political pressing. Economic protection must not be unilateral in nature: it is only in some marriage contracts that a husband is obligated to support a wife following divorce.

[Yu. Vorobyevskiy] However, the chairman of Gosplan for Estonia believes: "If the price policies are changed, the republic's economy will immediately reflect the actual cost of such action."

[V. Kvint] Let us begin with a fantasy that is popular at the present time. The fact that in the Baltic there are fine prospects for the development of scientific-intensive branches and that here they are capable of entering the foreign market with agricultural products. However, compare the production costs in Estonia against those in developed European countries. In the case of milk, Estonian expenditures are higher by a factor of 2.9, meat—by a factor of 2.8 and so forth.

Today only 2.2 percent of the industrial output of Estonia is being exported. It earns less than one third of the currency consumed. Where do the funds come from for the development of high technologies?

At times, the intra-union prices for Estonian industrial goods exceed the international prices by a factor of 10-20. On the other hand, the republic obtains high quality fuel-energy raw materials from Siberia at prices which are lower than the international prices by a factor of 3-7. Moreover, the production cost for each ton of petroleum is increasing with each passing year. The extraction of petroleum has been declining since the mid 1980's and yet Russia is fulfilling its obligations for intra-union deliveries.

Meanwhile, a reduction in these deliveries by only one fifth would result in a 40 percent drop in production in the Baltic area. Thus, when converting over to cost accounting, Estonia has an alternative: to pay for the

hydrocarbon raw materials at its true price or to expand the extraction of its own combustible shale. True, the second variation is fraught with negative ecological consequences. But Moscow appears to be in no hurry to engage in intrigues.

Such is the balance in prices. And it must be clear to each economist who is not trailing behind excited demonstrators.

[Yu. Vorobyevskiy] However, it is not only the prices which determine the fairness or lack of fairness in the interrelationships between regions.

[V. Kvint] Yes, Estonia, for example, distinct from Russia, assigns all of its income tax to the budget and approximately 98.5 percent of its turnover tax. Moreover, it should be borne in mind that here there are many enterprises of domestic instrument making and light industry. And their products—have a high specific weight in turnover tax, distinct for example from the output of the extractive branches of Siberia.

The equalization of socio-ecological development among the republics over the decades was carried out in a "unified family" mainly by means of an elder sister—Russia. However, it has now been turned into Cinderella. Those who tightened up their system in terms of many parameters have advanced forward. And the inertia of former policies only increases the unfair differentiation. And here there are not only the obvious forms discussed by M.S. Gorbachev in his report on the party's national policies under modern conditions. Many channels known to many specialists still exist for providing "support" for the former national outlying districts.

[Yu. Vorobyevskiy] And nevertheless it is possible that the Baltic republics will become more convinced regarding these calculations, given the visible example of Finland which has obtained its independence.

[V. Kvint] If the republics could return to the beginning of the century, then quite possibly they would find their own place in the economic system of the West. But there is no time machine. Today the international markets have been divided up with nothing left over and a system of economic relationships has been formed. And Estonia, for example, can go nowhere alone. This can only be accomplished together.

[Yu. Vorobyevskiy] Obviously, there exists the hope that economic assistance will be received from abroad.

[V. Kvint] We are already convinced that the Baltic has nothing to make payment with and that nobody will feed millions of people free of charge.

History cannot be rewritten anew. We cannot go forward by always glancing backwards. However, it sometimes pays to look back. I have in mind those resources which were invested by the union.

[Yu. Borobyevskiy] Vladimir Lvovich, this sounds like a reproach and reproaches are annoying. Moreover, you have always been referred to as an individual from the center, an interested individual.

[V. Kvint] Here then is a view for you from the side. An evaluation by Nobel laureate V. Leontyev, with whom I recently held a discussion. He conducted such a comparison with former capital investments: consideration was never given within a family as to whether or not the children were indebted to their parents, but if a child presented material claims to his father or mother, then the latter had the right to estimate how much they had invested in their child.

It is in this regard that certain positions set forth in the draft USSR law entitled "Economic Independence of the Lithuanian SSR and the Estonian SSR," prepared in committees of the USSR Supreme Soviet, arouse bewilderment. For example, "Prior to the enactment of this law, the union ministries, committees and departments will transfer enterprises and economic organizations, with all of their fixed and working capital, over to the republic's people free of charge."

[Yu. Vorobyevskiy] Gifts will be inappropriate in those areas where attempts are made to introduce economic interrelationships. Particularly in view of the fact that their value consists of contributions made by all of the republics. During the 1st Session of the USSR Supreme Soviet, during which the draft law was approved during the first reading, many questions were raised. However, a reply was usually forthcoming from the presidium: this is a complicated problem and so let us not raise it at the present time.

In all probability, the theoretical problems should be resolved first before handing down a decision.

[V. Kvint] Unfortunately, economics often falls victim to politics when discussing economic matters. But indeed certain problems are inevitable and in all probability administrative measures will be applied.

Can discussions concerning Baltic paper money and customs limits really be referred to as attempts at introducing economic mechanisms. These are all measures of a certain type and they are in conflict with the concept of an all-European edifice and with the realities of modern times. Integration processes are taking place within the framework of the "common market" and the monetary unit "ekyu" has been created and is already being used. We have forgotten the axiom: the greater the restrictions, the lower the level of optimization.

[Yu. Vorobyevskiy] The same holds true for the problems of the so-called migrants. They are simply confronted by a barrier. And indeed, there are in all probability democratic and economic methods for resolving the situation.

[V. Kvint] Let us assume that a local soviet gives its consent to developing the capabilities of a particular

enterprise and yet this requires that specialists be invited in from other regions. Thus the enterprise must make a payment into the local budget for each one of them. An amount which would compensate for the expenses for the infrastructure, professional training and others. For the Baltic it would scarcely exceed 17,000 rubles, whereas in Siberia the enlisting of one worker costs 25,000 rubles and there the cost of living is higher. Enterprises are presently paying 200-300 rubles per individual, but even this miserly amount is being added to the union budget. "I had hoped for at least one half of these withholdings," I was told recently by the mayor of Riga and USSR people's deputy A. Rubiks, "but it turned out that in USSR Minfin [Ministry of Finance] the budget was reduced by precisely this amount for other items."

What does the local budget often consist of? In Borzhomi, where tens of thousands of people annually go to restore their health, it obtains from such recreation only 15,000 rubles annually—for the disorganized registering of guests. The buildings are decrepit and the surrounding environment leaves a great deal to be desired. According to international standards—they are but ruins. Meanwhile, all of the economic systems (recreation is an industry) must be developed in those areas where the best conditions are available.

And here is still another Georgian example. The production cost for the Kolkhida automobile is several times higher than that for the equally powerful Kamaza. Thus, does it make sense to produce these vehicles in Georgia if economic production is not ensured there? The recreation industry, tourism and agriculture—these should be the republic's priorities.

We are losing up to 15 percent of our national income as a result of the inefficient distribution of productive forces. How were many problems solved earlier? Somebody from among the "rulers of destiny" would go out into the country, to a certain region and examine the situation—a chemical combine that requires an entire lake of water is under construction in Central Asia.

[Yu. Vorobyevskiy] And indeed these expenses are covered by somebody's account!

[V. Kvint] Certainly. Any uneconomic action is unfair. In Sverdlovsk and Donetsk oblasts, for example, we find the oldest fixed capital, the highest labor productivity in the country and almost the lowest standard of living for the population.

[Yu. Vorobyevskiy] Thus it is by no means an accident that these regions are troubled by numerous strikes.

[V. Kvint] Yes, it is possible, based upon economic analysis, to forecast the most troublesome spots. This applies to conflicts which are purely national in character.

Let us take the events in Novyy Uzen. It was 3 years ago that, together with economist Z. Yuzbekov, we directed

attention to the fact that all of the conditions required for a conflict had been created there. Dagestan is troubled by the problem of having too many hands and thus many people found work at enterprises in Kazakhstan. But there were no normal transport lines and thus many were forced to settle, together with their families, in Uzen, Shevchenko and Novyy Uzen. Every 1,000 workers here annually create 3.5-4 million more rubles worth of net output than is produced in Dagestan. One of the consequences—an intensification in the lack of balance in commodity and monetary means in both regions, which in the absence of transport communications did not become a unified complex.

We made a recommendation: if the ferry crossing across the Caspian Sea in the region of Baku is not operating at full capability, then the next one should not be built in the same vicinity as desired by the local planning institute. Instead, it should be built from Dagestan to Mangyshlak. But our recommendation was ignored. Yes and neither the government nor the newspapers paid any attention to the economic basis of this conflict. Conflicts bring about dissatisfaction among the cooperators over purely national differences.

[Yu. Vorobyevskiy] What constructive conclusions can be drawn from the above?

[V. Kvint] First of all, regional cost accounting is a creation of perestroyka and at the same time its greatest danger. It is fraught with an aggravation of the conflicts.

Complete cost accounting can be found only among the producers of goods—among enterprises. A region carries out mainly social and political functions. From an economic standpoint, it must merely regulate the processes—with the aid of tax and amortization policies and so forth.

Thus our discussion must not be about complete cost accounting, but rather about organizing truly economic relationships between an enterprise, region and a unified national economic complex.

[Yu. Vorobyevskiy] Some interesting thoughts were expressed in this regard by the director of the Viennese Institute of Economics and Politics Professor L. Bauer, with whom I recently held a discussion. This representative of the small state of Austria, where the advantages of large markets and inter-regional cooperation are understood, noted with bewilderment the separatist tendencies in the USSR. A system of mutual dependence is presently being created in Europe, a system which already exists in large measure in the USSR. Instead of improving it, the Soviet Union is taking a backward step.

[V. Kvint] The effectiveness of regional economics is presently dependent first of all upon inter-regional and not intra-regional relationships. This is a truism. Moreover, one must take into account the prevailing realities. Of 150 branches and sub-branches in Estonia, only 18 are oriented only towards internal needs. The situation is

the same in the other republics. All are aware of the results of the brief and incomplete railroad blockade of Armenia.

[Yu. Vorobyevskiy] L. Bauer believes that it is precisely when inter-regional relationships are working poorly that the most conservative of ideas tend to appear—national autarchy. Instead of optimizing the work of a single complex, they begin to say: it was better earlier when we lived by and for ourselves.

[V. Kvint] If we allow for realization of the thought expressed by V. Rasputin concerning the non-separation of Russia, then it nevertheless remains a great and self-supporting state. In my estimation, only the RSFSR, the Ukraine and Belorussia, out of all of the republics, are capable of resolving independently the problems confronting them. Let us take the prospects for the convertibility of the ruble. Russia's foundation for this—gold, diamonds and mineral reserves. And the Baltic? What can serve to support its mythical currency given the present level of development of its productive forces?

[Yu. Vorobyevskiy] Yes, the time is at hand for studying exactly what it is that binds the republics together—command means or economic interests.

[V. Kvint] Let us take the problem of equivalency of inter-republic exchange. Economic relationships must be established in the future with the active participation of the soviets at all levels. For it is the elected deputies of soviets and not assigned departmental officials who must define the priority trends for territorial development. The possibility of carrying out better production operations than others and with fewer expenditures must become the criteria. Their level must become the base for the formation of prices that will be equally fair for all concerned.

[Yu. Vorobyevskiy] But are the soviets ready to accept executive authority? Indeed, at times the ministries have dozens of NII's [scientific research institutes].

[V. Kvint] In criticizing K. Kautskiy, V.I. Lenin noted his respect for the ministries. But in his writings, Vladimir Ilich asked why the ministries could not be replaced by committees of specialists attached to all-powerful and completely autonomous soviets.

Typically, under Lenin 85 percent of the enterprises were turned over to sovnarkhozes [economic councils], which operated based upon the rights of soviet departments. That is, they were subordinated to elective organs. V.I. Lenin emphasized the advantage of Soviet authority compared to the bourgeois parliamentary system and he viewed it as destroying the void between legislative and executive authority. However, by the end of the 1920's the sovnarkhozes of the Leninist type were being eliminated. And subsequently Stalin reinforced this constitutionally by means of a counter-revolutionary change in the sphere of management

The soviets even became weaker than the czarist zemstvos [elective district councils in pre-revolutionary Russia]. In his writings, Lenin stated that they were capable only of repairing roads, building hospitals and tinning wash-stands.

[Yu. Vorobyevskiy] Yes, at the present time the soviets for all practical purposes possess only legislative authority. But by no means all of it! Executive authority rests with the branches and departments. And they, in the manner of favorites, burst into a territory and stir up discussions on intrigues in the center.

[V. Kvint] It is possible to understand the indignation of an Estonian and also a Tajik or a Russian when enterprises appear on their lands which enjoy, in essence, the right of extraterritoriality—as the embassy of a foreign

state. But the pilfering of property that was created jointly, not only departmental but also of a national nature, is dangerous.

The principle of economist Pareto, espoused at the beginning of the century, is well known in science. Given our situation, it can be interpreted as follows: the standard of living for people and economic efficiency in any of our soviet republics can be raised only so long as nobody's interests are infringed upon. Otherwise the response-reaction will necessarily lower the overall indicators.

[Yu. Vorobyevskiy] Thank you, Vladimir Lvovich, for this discussion. At the present time, our "unified family" needs a revenue inspector.



## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Ligachev, Others Discuss Slow Progress in Leasing

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[Article by V. Krestyaninov: "Leasing—Why Are We Hesitating?"]

[Text] More and more letters are being received by the editors of newspapers and magazines, including AGITATOR, and by television and radio stations which ask the alarming question, "What is happening to leasing? Why are we hesitating?..." Yes, there are impressive examples; actually people double and triple production over a short period of time. But in stores the situation is worse and worse. Is it possible that we will finally end up with ration cards?...

There are the perplexities, and the statistics that confirm them—only one out of 10 enterprises has made the transition to lease relations in our country so far.

What is the problem? I think that the change will begin only when answers are provided everywhere to the question: To whom does the land really belong and who really has the right to dispose of the fruits of his labor? Meanwhile the kolkhoz chairman organizes one lease brigade or family farm for the sake of appearances, for this same reason one sovkhos in the rayon is transformed into a cooperative association and appears to be intensively studying "new forms of economic interrelations."

Is it possible to have not one but two or three lease brigades within an enterprise? Fully possible! They will function excellently. But they will "eat" almost the entire annual wage fund and there will be nothing left with which to pay the other collectives. In the same way within the framework of the rayon it is possible to have one or two demonstration enterprises, with greater allocations of fertilizer, dependable technology and mixed feed for them...At meetings and conferences there should be calls to follow leaders. All of this has already been done once. And for what purpose?

Let me remind you of a bitter story. It occurred in Novokubanskiy Rayon in the test enterprise of the institute where our and foreign field technology was being tested. For several years I, along with the well-known independent link leader Vladimir Yakovlevich Pervitskiy and his comrades, tried to prove the advantage of plowless cultivation and early purposefully sparse sowing of winter wheat.

Then we had the famous harvest during which the new Kolos and Niva combines were being tested. Plant chairmen believed and disbelieved their results. Each hectare was producing 80 quintals of excellent grain and

more! Three times they stopped, remeasuring the area. 80 plus, on an area of 134 hectares.

It would seem that we could be more than overjoyed—we could be exultant. But the rayon administration came to the edge of the field where we were sitting. They expressed congratulations on the record, of course, and then said to me

"If you write about this for your KOMSOMOLSKAYA PRAVDA and then it is printed, there will be a telephone call from Krasnodar. They will reproach us for false modesty, saying that we are not reporting on an outstanding result, and will oblige us to submit an additional equal amount of grain, which would require a superhuman effort. So it is better that you write nothing."

This is how things can happen in the harvest, in milk yield. After all money, fertilizer, spare parts and fuel—all of this is on a poverty-stricken level, which the civilized world forgot about long ago.

Let us take specialists. There are dozens of them in enterprises, after all. And there are more in the rayon, in the oblast...What should our attitude be towards them? They are not needed by either leasees or by persons who give orders—brigade leaders, link leaders and consultants. The leasee will hire them, and not every specialist by far.

Such obstacles exist at every step here. The prices for equipment, services and spare parts are increasing catastrophically, but grain and potatoes sell for nothing. Mineral water is more expensive than milk. This is the reason for the question: Why are we hesitating?

We decided to deal with the economic situation in the village, with leasing, with cooperatives, and with the creation of family enterprises and cooperative consortiums at a "roundtable" of Central television, the theme of which was "The March 1989 Plenum of the CPSU Central Committee and the Restructuring of Economic Relations Within the Agroindustrial Complex." Yegor Kuzmich Ligachev, member of the CPSU Central Committee Politburo and secretary of the CPSU Central Committee, and leasing pioneers agreed to participate in the dialogue.

Many of the questions answered by participants in the meeting are based on letters of television viewers and readers of the magazine. [A. Ivashchenko, political commentator on Central Television].

[Question] After the March Plenum of the CPSU Central Committee, how do you assess the changes that are taking place in economic relations within the agroindustrial complex?

[Ye. K. Ligachev] I think that we all agree that the March Plenum of the CPSU Central Committee determined the basic prerequisites—economic and legal—for the development of all forms of management based on cost

accounting, leasing, contracts and cooperation. I emphasize that it determined them; it is our task to develop and implement these prerequisites.

I would like to focus attention on three factors.

In our time we frequently spoke about the drawing together, the close ties of various forms of property. But honestly speaking, there was little use from these words, and for a long time the forms of property remained in a paralyzed state. Today in accordance with our party's program there is actually occurring a process of drawing together, of close ties between national state, cooperative and personal forms of ownership.

In reality, we already have the appearance of sovkhozes that are state-cooperative associations. We have kolkhozes and sovkhozes that are cooperatives of lease collectives. I remember visiting the enterprises in Zavorovo, which is part of the Ramenskiy Agricultural Combine of Moscow Oblast. I remember meetings in Matveyevo-Kurganskiy Sovkhoz of Rostov Oblast, and Victor Semenovich Butenko as he leads the agroindustrial consortium. I recall following the affairs of the association of cooperatives in Baltskiy Rayon of Odessa Oblast. I can provide many other examples.

The second factor is that state industrial enterprises are beginning to participate in cooperation, in integration with kolkhozes and sovkhozes, and moreover on a voluntary contractual basis, on the basis of mutual interests. In connection with this mixed management forms are being introduced. This process is becoming more and more widespread but a great deal of work still has to be done in this direction.

I am not even talking about the development of agricultural combines, agroindustrial associations, agricultural firms, associations and so forth.

I think that you will agree that kolkhozes and sovkhozes were, are and remain formations of the food fund. I, for example, do not understand the call by some comrades who say that the time has come to reorganize kolkhozes and sovkhozes and to transform them into small peasant, or as they say in the West, farming enterprises. Honestly speaking, I do not know what there is more of here—ignorance or political irresponsibility.

We support the development of all forms of management, and life itself will show the value of each.

At the same time, kolkhozes and sovkhozes do not have to remain unchanged, as they have been; we must become seriously involved in their economic and organizational restructuring. This is the essence of the question. Recently I met with John Crystal, a great American businessman-agriculturalist, and he noted that it appeared to him that we were moving away from large collective enterprises, while in America the trend was just the reverse—toward large farm enterprises. Recently I read in IZVESTIYA an interview with Jores

Medvedev, who now lives in another country, and he warns us to carefully and responsibly deal with kolkhozes and sovkhozes.

Finally, a third point. I think that we must closely relate improving economic relations within the agricultural sector and within all of its links with scientific-technical progress, with intensive technologies, and with improvements in the standard of living and work conditions of all of our villagers and first and foremost of all workers within the agroindustrial complex.

We cannot become involved in only one direction. We have already experienced times in which we grasped first at one thing and then at another and yet at a third, all the while failing to achieve success. We must carry on on a wide front.

[S. I. Gavra, director of the lease collective of Verkhne-buzinovskiy Sovkhoz, Kletskiy Rayon, Volgograd Oblast] In my opinion, leasing is coming to the common man very slowly because he does not see the results of this kind of work. Working in the fields, for example, he is not able to dispose of the fruits of his labor himself. That which he reaps is distributed by others. This is why machine operators and other village workers are careful in moving toward leasing contracts. It is very difficult to implement leasing and there are few people who are capable of doing this kind of work. I myself have been involved in leasing for 2 years. We are just beginning to like it; we are learning how to work, how to count our income, how to economize where we can and how to dispose of that which we have economized on.

[A. G. Pfeyfer, director of the lease collective of Iskra Sovkhoz, Akbulakskiy Rayon, Orenburg Oblast] In our sovkhoz, lease contracts have been in existence for 2 years now and the entire enterprise has made a transition to them. But I would like to talk about what in my opinion is holding leasing back. That is social injustice. If we compare the village and the city, building in cities is carried out by means of the state budget—of residential housing, kindergartens, houses of culture and roads. In the village all of this is done via the economic method. The village worker, coming home after working in the fields for 8 hours, must occupy himself with his private plot for at least another 2 hours. And the work on the private plot is not mechanized.

[V. V. Shvets, senior economist at Sovkhoz imeni Mamsuk Mametova, Tselinograd Oblast] Here is what I want to say. Do we need any kinds of means or resources to give man the freedom of management? Right now we are seeing something else—the peasant, the sovkhoz worker, the sovkhoz director and other directors and specialists have been placed within a certain framework. And already man is not a manager, he is not free. This framework must be removed—the limits, the norms for wages, for fuel and for spare parts, and the individual must be made truly free.

In our sovkhoz we have done a great deal in this area. Everyone is seeking better ways to work. Here are the

results. When we started we were very unprofitable. In 1984, for example, losses equalled 1.3 million rubles. Last year we had 2.5 million rubles in profits. Labor productivity increased almost fourfold and wages doubled.

[Ya. F. Lusia, one of the first Soviet farmers, working in Madonskiy Rayon of Latvia, and a shipbuilder at one time] I would like to refute those who feel that leasing does not require capital investments. Another thing, land should be taken for those families who have someone to leave it to. I have three children, for example. I took land with my family at the beginning of the year, 52 hectares, where we have 58 calves that we are fattening and some equipment—two Belarus tractors, a T-40, a truck and some shed equipment. We acquired all of this with a loan from the enterprise from which we were leasing the land, Liyezere Sovkhoz.

In my opinion the optimal variant includes the recognition, in addition to state enterprises and collective enterprises, of peasant enterprises and measures to develop the latter and to help them. Latvian peasants still have very fresh memories of how kolkhozes were created, how people joined the kolkhoz with something of their own—either a horse, or a wagon, or something else. When a person did join the kolkhoz (although this often was forced upon him) and worked in it he felt that there was something of his own in it. It is no wonder that old people, looking at how young people work, ask: How can you work with your sleeves rolled down? Perhaps it is correct to divide enterprises in places where this is possible, and of course not everywhere. This should be done so that the individual can reacquire the feeling of manager, the feeling of ownership, the sense of property. And then later, naturally, the peasant enterprises will grow larger, otherwise they simply will not be able to exist. In places where things are going well and where there is a good agricultural service it is possible that this will not be necessary.

[Ye. K. Ligachev] One question: What kind of relationship do you have to kolkhozes and sovkhozes?

[Ya. F. Lusia] With the sovkhoz we have a contractual relationship; the contract has been signed for 3 years.

[V. V. Shvets] In principle, the same relationship as we have.

[Ya. F. Lusia] Of special significance is the feeling of being manager of the land. I know that some are taking the land that their ancestors worked. You see, there is an oak tree there that was planted by his grandfather, there is a rock there that his grandmother sat on, there is a river there where his forefathers went fishing. And then later on his grandchildren and other progeny will live on, work and manage this same land. And he, and this is characteristic of man, will never destroy that which will be inherited by his progeny. He will take care of this land and cherish it for those who follow.

Let us say I have a farm, a peasant enterprise. My three sons are already riding the tractor with me, they see my

daily work. The very structure of our peasant life predetermines their further development and the selection of profession. Naturally not everyone will work the land, but someone will understand that this is the best way to earn a living.

[V. V. Shvets] But can you survive without the sovkhoz?

[Ya. F. Lusia] No, I cannot exist without the sovkhoz, but in principle in the future this will be possible, why not?

[V. V. Shvets] Do you lease equipment?

[Ya. F. Lusia] Yes, I do.

[B. I. Poshkus, deputy chairman of the State Commission on Food Problems and Procurement of the USSR Council of Ministers] I would like to continue the subject of why we are seeing a slow development of leasing, contracts, cooperatives and other forms in which we are making the transition to management by small groups in which the individual is becoming the manager. Here it is important to consider this psychological aspect. Today the man in the village is working almost like a part of a conveyor—he is either a machine operators, or a driver, or a milkmaid or carries out some other narrow operation. Now he is to comprehensively take land and livestock and be responsible for them—this is a big responsibility.

The villager is very responsible in terms of the land because first incultivating it he must become an expert in his field, and he must know everything about his crops and animals. This must be considered, our grain farmers must be prepared, and training must be appropriate, as must the work in enterprises. Then all the forms for which we are seeking managers will begin to move faster.

The second thing I would like to discuss is global in nature—scientific-technical progress. Competition is necessary for this. We will create this kind of competition if we create equal economic conditions for competition for all forms of management. Then the public enterprise—the kolkhoz or sovkhoz—and contracts, leasing, cooperatives and the peasant enterprise will be able to show what they are capable of. The effect will be a general one.

[A. M. Tsarenko, chairman of Mir Kolkhoz of Putivskiy Rayon, Sumy Oblast, member of the Committee on Agricultural Problems and Food of the USSR Supreme Soviet] I am thoroughly convinced that the collective form of management is promising. Today one sometimes hears that raising the Non-Chernozem consists only of creating farmsteads there and handing out the land. The enterprises of our region are typical of the Non-Chernozem although we are in the Ukraine. When in 1986 I was selected to be chairman of the residents-retirees of 13 farmsteads, where there were practically no able-bodied kolkhoz farmers, the land was hardly being

cultivated at all. Under these conditions we were able to improve the enterprise and to untie the hands of the people.

I feel that in enterprises such as ours had been, forms of economic organization of labor such as leasing should be utilized. But of course the forms do not have to be stagnant; they can be altered depending on different conditions. At the same time nothing will be changed by leasing contracts alone. Concern for man is needed.

Let us say that young people come to the village. Their average age is 23 for the man and 17-18 for the woman. They have a child or two. They probably want to go to a club, a concert, or a movie. But there is no grandmother—they have come to a new place. We had to allocate a room in the House of Culture. There there is a grandmother, beds, a television set and toys. A trifle? I do not think so. I can cite a number of such examples and it will turn out that life consists of such trifles.

As a result the unpopulated, unprofitable kolkhoz with 2 million rubles of debts achieved a profitability of 71 percent the year before last and of 53 percent last year. When making the transition to leasing, propaganda is necessary but probably force is not, because I know how it sometimes happens. High-ranking people will become interested and then they will ask how things are going down there with leasing. Let us say in Poltava Oblast involvement reaches 50 percent whereas here in Sumy it is only 15...

[Ye. K. Ligachev] I want to reassure you, we at the plenum agreed and are firmly implementing this—no time frames, no assignments and so forth.

[A. N. Dikusar worked as a kolkhoz chairman in Baltskiy Rayon, Odessa Oblast, and today heads a cooperative association] I think that all of us must, to the best of our abilities, propagandize that leasing is permanent, that it is not a campaign, that it is vitally important. The examples that have been presented today confirm this. Proof of this is the example of our enterprise, where I worked for 20 years as the kolkhoz chairman, including 4 years during perestroyka. It was then that we understood that we had to change relations. But we wanted to develop a system that would be self-regulating so that no one would be able to interfere in it. We came to the conclusion that the most important, basic, link here should be the lease collective.

[V. A. Revyako, first secretary of the Mostovskiy Rayon party committee, Grodno Oblast, Belorussia] How were we able to have the entire rayon make a transition to lease relations? Up until 1985 individual initiative brigades, small collectives which generally improved economic relations, were in existence. In 1985-1986 all enterprises in the rayon began focusing attention on more rapid production growth and operated according to the results of gross income. This resulted in positive changes and in particular in the growth of productivity. However, the cost of production continued to increase as before. In 1987 all collectives both in livestock raising

and in farming operated according to a check form of control. But this system turned out to be unwieldy; it was inaccessible to direct executors, to those whom we want to give a sense of being manager. This is why it did not take here. In 1987 all village production collectives, including in livestock raising and farming, made the transition to the leasing form.

[V. S. Butenko, director of Matveyevo-Kurganskii Sovkhoz, Rostov Oblast and supervisor of the agroindustrial consortium] In our enterprise lease collectives were created on a purely democratic basis—no one pushed anyone into them then, nor do they do so now. At first large collectives were created; today smaller ones are being created and there is a trend toward the creation of family household farms. Moreover, this is being done not on the initiative of the sovkhoz, directors or administration but of the people themselves.

Labor productivity in lease collectives comprised 98,000 rubles per worker. In the enterprise in general last year this figure comprised 19,787 rubles.

According to the year's results the sovkhoz received 1.3 million rubles in profits. We made calculations and discovered that we still could not develop without some kind of additional capital. We turned to scientists and for the first time heard the word, "agroconsortium." These had been created in the Moscow area and in Podolsk Rayon. I went to our bosses—Priboy Plant and Taganrog's Plant imeni Dimitrov, with which we have long been associated.

But this time I had something different to say to them—let's enter into new relations on the principle of a consortium—you put money into the sovkhoz, and for this on the basis of equivalent exchange you will receive our products. They agreed.

Today we are using this method to carry on the building of six household farms together with yard structures. We offer a family a ready farm, land and equipment. Moreover, the farmer does not need a large selection of equipment because we have opened a rolling mill in the machine yard.

In addition to household farms we are building potato storage facilities and a point for salting and processing vegetables. We have acquired equipment for processing meat—all of this has also been paid for by the agroconsortium.

Twenty percent of all contributions (we agreed on this at a council meeting) must be directed into the development of the infrastructure, i.e. for social and cultural everyday purposes. The agroconsortium is paying for paving roads to household farms; we have already laid about 3 kilometers of asphalt roads.

[K. V. Kunitskiy, general director of Ramenskiy Agricultural Combine in the Moscow region] Today within the combine there are 53 different enterprises and organizations employing 21,500 people. Of these there are 2,000



specialists. Whereas previously in agriculture we had primarily zootechnologists, agronomists and so forth, today we also have merchandising specialists, electricians, computer experts and many other types of specialists. With our products, especially with potatoes and vegetables, we supply 1.5 million persons; and with sour milk products and meats and sausages—about 1 million persons.

[N. V. Lemesheva, chairman of Kolkhoz imeni Kirov, Vitebsk Rayon, Belorussia, member of the Committee on Agricultural Problems and Food of the USSR Supreme Soviet] We are trying to do more for our kolkhoz farmer. We built a good settlement with all amenities, completed civil engineering projects; houses have hot water, sewer systems and heating. At first people did not come to our kolkhoz from the city. Now, since we have built a good settlement, we have a long list of people wanting to work here and to remain here. We no longer can accept everyone who wants to come to the kolkhoz although there are many requests.

In speaking about lease relations, I can confirm that this truly is a large reserve. It would seem that in our enterprise the indicators are not bad ones. For example, milk yield per cow is 5,500 liters of milk; we produce 45 quintals of feed units per hectare of plowland and so forth. But, having made the transition to lease relations in January of this year, we increased the production of pedigree livestock by a factor of 1.5 and milk production has increased. The enterprise is building relations with cost accounting subdivisions on a purchase-sale basis.

Today how can we attract city residents to the village? With wages alone? No. You won't attract them with nice-sounding names like farmer and leasee either. No one today wants to go to a kolkhoz, particularly in the Non-Chernozem, to work in a God-forsaken place. Why? Because the normal living conditions do not exist—it is necessary to bring in water, to prepare wood, to heat the stove, i.e., to carry out very difficult household tasks. And let us look at social justice. Today the size of the pension of a village worker is 60 percent that of a city resident and his wages are 75 percent those of a city person. Do you think that a city dweller will move to the village? This is why I am categorically opposed to the idea that it is not necessary to make any capital investments in the village.

[Ye. K. Ligachev] We were saying that first the capital must be earned and then allocated. I think you must agree?

[N. V. Lemesheva] I agree, but how do you earn it? Today is it possible to seriously speak about equivalent exchange? A kilogram of potatoes costs 8 kopecks but 250 grams of Pepsi Cola cost 35 kopecks. How can a farmer buy a combine today?

The first thing that has to be taken care of is the social arrangement of the village because the young people do not stay, they go to the city, and different problems are

created here—housing is needed, there is a shortage of food products. The city begins to rebuild itself but the village remains empty.

Somehow this vicious circle must be broken. Today material aid to the village is essential. The second thing is that we need prices and not equivalent exchange.

[A. M. Tsarenko] The very principle of price formation must be altered. I was in Kharkov and was involved in them. I asked why the cost of motors at the Serp i Molot Plant (these are motors for combines and tractors) had increased. They replied that they had carried out renovations and this means that production costs for the motors had increased. In other words, they applied the cost of renovation to production costs, included them in the price. So ultimately plant renovation is being paid for by agriculture.

[V. V. Shvets] We must also improve administration. Everyone wants freedom, everyone wants to be a manager; there is not a single person who would not want to be a manager. For this reason I understand lease relations and lease contracts to mean the provision of the right to be a manager to every person. Leasing will move very quickly if we provide this right. The free man, the manager, will hire the manager he needs. Management will develop from below.

[V. A. Revyako] I am firmly convinced that without serious science we will not strengthen great projects. Today, for example, the production of ecologically clean village products is the problem of problems. We don't even have the opportunity to annually determine the residual accumulation of, let us say, toxic chemicals and herbicides in the soil. Who in the enterprise, who of the leasees will become involved in this? No one.

In the rayon we have created a laboratory. Now we have purchased equipment manufactured in the GDR and are purchasing computers so that the agronomist or leasee does not have to worry about what is being applied to potatoes. The laboratory can tell the farmer that residue from the scientific production complex is such and such on this field and that on the potato fields here this and this must be applied. This is the way farmers work all over the world.

Let us look at another problem. Is a farmer in any condition to travel to any region and to study one problem or another? Let us say that last year we had a poor harvest of grain crops—instead of 40 and even 41.6 quintals all we produced was 33.2 quintals per hectare. The leasee cannot do anything without seed. We studied Moldavia's experience in corn production and got in touch with scientists. As a result we achieved a large corn harvest, moreover of real grain. Because of this wintering went by successfully; meat production increased by 14 percent and milk production—103 percent.

These are the functions that are developing for the rayon link. It must be involved in all of this, think about the future and train cadres to head cooperative links and kolkhozes.

[Ye. K. Ligachev] I would like to support you in your statement that everything should begin with a determination of function. When we precisely establish the function of each management organ we will certainly build the optimal system of management.

[V. A. Revyako] I would like to make a final statement about reports. We cannot make life absolute. Let us look at the following example. An excellent harvest has matured, it is raining and some kind of maneuverability is needed; somehow we have to help each other. It is probably no big sin if we see how in the rayon harvesting was completed in one day and what we should do because our harvest is perishing. Without having information it is impossible to manage.

[Ye. K. Ligachev] I would say even more. What have we given to the soviets? We have only proclaimed that they must be given full authority. We have not given the village soviet, the rayon executive committee or the oblast executive committee any additional rights, any additional material-technical and financial resources after placing such a great responsibility on them. For this reason we should not substitute for or replace but instead help via known political organizational means. The problem is, I feel, that we have very many party and soviet organs, unfortunately, which have moved away from economizing.

[B. I. Poshkus] We have reorganized administration on a union level. The responsibility and the initiative have been given to republics. It is essential that this go lower—to the oblasts and rayons.

[Question] Yegor Kuzmich, that which we have discussed today, does it coincide with the opinions of those people with whom you meet in the Politburo, in commission meetings, during business trips?

[Ye. K. Ligachev] First of all, I am very pleased that here, and not only here but also beyond the "roundtable" there is a great deal of agreement.

I feel that I will not err in saying that everything that you have said here, everything that you are doing and that which you live and breathe corresponds fully to the spirit of the March Plenum of the party central committee.

Some people criticize us for not having decided this too precisely—that here we did not complete what we were saying, there we did not complete what we were doing.

I will say to you honestly that we placed as our goal the elaboration of political tendencies in the development of our country's agricultural sector. How to implement, what forms and methods to use—this is a matter for practical experience and science. It would be a very bad

thing if, just as unfortunately in the past, absolutely everything were limited, if everything were forced into the "bed of Procrustes."

The March plenum of the party central committee decided that it is possible to create, to work and to achieve success, and I am not discussing the question of material-technical and financial problems—these are special problems, but organizational and economic aspects.

That is the first thing that I wanted to say. Secondly, I have sensed somehow once again that socialism first and foremost means diversity, in forms of management as well as in forms of socialist property. Everyone has to work, and I once again hold up the thesis that it must be under equal economic and legal conditions.

Here is what is extremely important. I think that it is a very good thing that here the comrades spoke not only of the development and improvement of production and economic relations in kolkhozes and sovkhozes but also about other links to agroindustrial production. We must encompass all links—production, storage, processing and product sales. We have economic and management forms. If we do something in one link but do not complete work in another, we will not achieve anything.

Finally, one last point. I think that all of your striving and all of your work is directed at, and this is very satisfying, developing man's capabilities and at revealing the potential possibilities of every individual. Ultimately this is most important. In particular, we are speaking about work in the village, in agriculture, in the agroindustrial complex.

I am an optimist. I believe that within the framework of socialist property—and this incidentally is what was decided by the March plenum, which clearly confirmed the socialist path of development—by improving all forms we will be able to solve the food problem. And having solved it, we will have done a great deal for our people.

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### **Co-Op Union Head Tikhonov Presents Case for Radical Reform**

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[Interview with Vladimir Aleksandrovich Tikhonov, people's deputy, VASKhNIL Academician and chairman of the Union of United Cooperatives of the USSR: "Vladimir Tikhonov: Land for the Peasants"]

[Text] People's deputy, VASKhNIL [All-Union Academy of Agricultural Sciences imeni V.I. Lenin] and chairman of the Union of United Cooperatives of the USSR V.A. Tikhonov represents those of our economists who believe that a solution for this crisis is impossible in

the absence of radical reforms. Our correspondent Sergey Adamov asked Vladimir Aleksandrovich to comment upon the status of affairs in agriculture.

[Adamov] Recently we were expecting our large-scale party-governmental forums to carry out some extremely bold and decisive actions and yet, as a rule, we were left merely with disappointing half-measures. Neither the Plenum of the CPSU Central Committee for agrarian questions nor the Congress of People's Deputies proved to be exceptions in this regard. How do you evaluate this?

[Tikhonov] One seventy-year-old peasant expressed himself very accurately in this regard: "We have still not starved!"

Meanwhile, the country's food situation is becoming very precarious. I am convinced that if radical changes are not carried out in farming this year, then next year we will encounter real hunger. With 220 million hectares of arable land, we are annually purchasing 40-45 million tons of grain, 1.5 million tons of meat and we are even purchasing potatoes, despite the fact that we are producing six times more than the Americans. And nature is not guilty of the fact that for the eighth year in a row our physical volume of food goods has declined in a steady manner. The reasons are to be found in our political system, which encourages and supports the administrative system. The government has already exhausted all of the measures that could be undertaken in conjunction with the mentioned system. Everything has been tried—expansion, breaking up into smaller units, decisions, decrees...

[Adamov] Do not the recent decisions associated with the introduction of leasing constitute a solution for the existing situation?

[Tikhonov] At the present time, the government assumes that the introduction of leasing at kolkhozes and sovkhozes constitutes radical changes. This is a myth. It is an illusion. The leasing of land and the economic independence of peasants at kolkhozes are impracticable. And this system will not be expanded. The present status of affairs is similar to the situation that prevailed during 1861-1863. A peasant was granted freedom but he was not given land. The land remained in the hands of a landlord. The modern "landlord"—a kolkhoz chairman or sovkhoz director—will not provide land on a lease basis or, if he does, experience reveals that it will be done under completely predatory conditions, such that leasing operations will simply be impossible. The scientists have proposed the immediate legalization of all forms of land ownership. But our recommendations are not receiving attention. For example, recommendations were "processed" during a plenum of the party's central committee at the bottom of the staff apparatus, recommendations which amounted to nothing more than half-measures. And a large portion of the national deputy-agrarians at the congress were kolkhoz chairmen or shock workers from leading or, it follows, strong

farms. Strong farms exist because of strong personalities and not because the kolkhoz system is good. But the fact of the matter is that not even the most eminent chairman is master of his own land. There is the raykom [rayon committee], oblispolkom [oblast executive committee], obkom [oblast committee] and kraykom [kray committee]. There is always a needed element which can correct him in a timely manner. The land belongs not to him but rather to the state and unfortunately not everybody understands this fact.

[Adamov] Vladimir Aleksandrovich, the land reform developed by the SR's [socialist-revolutionaries], the essence of which was "land for the peasants," initially suited all of us. What has happened to cause us to deviate from it? Perhaps the history of the question will explain to us why we are not too willing to adopt radical changes or to return to the slogan of the October revolution.

[Tikhonov] The history is as follows. The SR's represented the so-called "42d order," which was based upon an extensive interrogation of peasant deputies to the Constituent Assembly. The essence of it lay in the fact that land became public property and was turned over freely to those who worked it, with no purchase required. Lenin agreed to this program, assuming quite fairly that it precisely fulfilled the requirements of the peasants. This was in 1917. But in January 1918, the less well known Law on Land Socialization was published as a supplement to the well known Decree on Land. The Law on Land Socialization added one important aspect to the SR Program—a payment for land was introduced. The next stage in land relationships occurred in 1928. The sovnarkom [Soviet of People's Commissars] developed and approved a statute on socialist land tenure. It stated that all land, being public property, was owned by the socialist state. The state was authorized to grant land, to take it away and to combine peasant lands into a single tract of land. It was at this time that the concept of "settlement" arose in the Russian countryside. The land was plowed under as a single kolkhoz field and those who did not wish to join the kolkhoz were forced to settle at a greater distance from the village.

Before long the right of the state to dispose of land was written into the USSR Constitution. Stalin needed this in order to carry out his extensive collectivization.

[Adamov] We are presently already aware that Stalin did not have his own social innovations. He took advantage of the works of the party's theoreticians. What served as the foundation for kolkhoz construction?

[Tikhonov] Prior to 1921, Lenin favored extensive use of the system of state-monopolistic economics, that is, work carried out in accordance with a single national economic plan and under strict state control. The last work of Lenin in which he substantiated this fact—concerning a tax on food—was published in June 1921. It was difficult to control the masses and yet it became possible to exercise control after the small producers of goods were merged into cooperatives. These were

Lenin's ideas. But the fact of the matter is that by the end of 1922 he had become sick and, isolated from leadership of the party and country and his own comrades-in-arms, drew the conclusion that we were not building the desired type of socialism. And the type which should have been under construction was being viewed sardonically and being referred to as a mercenary clique. In his work entitled "On Cooperation," he wrote that today we are forced to change our point of view regarding socialism. True socialism—is a structure of civilized cooperators. That is, Lenin rejected those notions which he had nurtured all of his life and which had turned out to be wrong. But there was no change in the point of view. This work was published in a small edition only in September 1923 and it was written during the period of 4-6 January. Prior to the release of a brochure for the party organizations, a letter was published in which it was pointed out that the individual who wrote this article was sick and that it was being published solely out of deep respect for the author. But Ilich's condition had to be taken into account.

Lenin's comrades-in-arms gave no thought to rejecting those views which they had nurtured together—such as state capitalistic organization of management. For it was precisely this model that they adopted. This served as the basis for the forcible merging of peasants into so-called kolkhozes and for strict control and centralized administration of the economy by the state.

Commencing in 1929—the year of the "great turning point"—the civil war against the peasantry, which was undertaken by Stalin and through which we deprived a peasant of independence. We transformed him into a kolkhoz member initially for a purely utilitarian purpose—to procure grain at low prices for sale on the foreign market. These export operations were accompanied by hunger among the Russian population, which was left without grain. Historians cite various figures reflecting the number of hunger victims of the 1930's—from 4 to 10 million persons.

[Adamov] How did it happen that this form of control over the peasantry became stronger both in our country's economy and in our social consciousness despite the fact that we were unable to leave the kolkhozes?

[Tikhonov] In all probability, you recall the history behind the creation of the mining and metallurgical industry in Russia. At the time, land was turned over to Stroganov, Demidov and other industrialists from the state treasury, land on which the owners built iron-making plants. Peasants from surrounding villages took up work at these plants. They were referred to as peasants with plots of land. That is, a peasant worked for free but in return he was given a plot of land which served as his source for existence. Thus, during the 1929-1933 period, our peasant was converted into a kolkhoz worker with his own plot of land. He worked at his kolkhoz for practically nothing and obtained the needed money and food goods from his private plot. This then is what happened to the peasants. Naturally, the peasants

resisted—openly and not so openly. And then there was the well known speech by Stalin in 1932. The essence of it had to do with the fact that when a peasant did not belong to a collective farm we could only advise him or only request something from him. But today we no longer have such peasants. Rather, we have kolkhozes which we organized and thus we no longer can employ a passive attitude towards these kolkhozes. We are now responsible for the work of a kolkhoz and thus we must now direct the affairs of a kolkhoz. Stalin mentioned this fact when addressing the party organs but it related to the soviet organs. The functions concerned with administering the economy were undertaken by local authorities. The land is formally assigned to a kolkhoz, but only the state organs can establish the plan, when the planting and harvesting operations are to be carried out and the prices. For all practical purposes, a peasant is deprived completely of the opportunity of managing in an independent manner.

[Adamov] That is, initially they deprived the peasants of independence and then later the kolkhozes. And it seems that we are still living according to Comrade Stalin's instructions.

[V. Tikhonov] Exactly. Not necessarily his instructions, but his work lives on.

[Adamov] Over a period of 3 years, the status of affairs in agriculture, if we make a judgment according to the shelves in stores, has not only not improved but in fact it has reached a critical point. Why?

[V. Tikhonov] Because the requirements for presenting economic independence to the peasants remain merely as unrealized slogans.

[Adamov] In the history of our country, there is an example of when such slogans were realized. I have in mind NEP [New Economic Policy (1921-1936)]. How did this come about?

[Tikhonov] A market and market relationships were introduced. This was of basic importance. Commencing in 1918, the state's policies were directed towards eliminating market relationships owing to the conviction which prevailed at the time: a market economy inevitably leads to a stratification of society and encourages the petty bourgeoisie. Subsequently, the policy of "military communism" grew out of this. And it was not a temporary measure, as we are prone at times to imply, but rather it was expected to last for an extended period of time.

This policy failed in 1921. The final stimulus towards its elimination was the Kronstadt Uprising, at which time the principal slogan was "Freedom To Trade" and the forcible distribution of products and goods was abolished. The government of the RSFSR was forced to recognize the policy of "Military communism" as being a mistake and insolvent. A peasant was permitted to grow that which he considered necessary and to trade freely in the products of his labor.



This was in 1921, a miserable and lean year for Russia. And the hunger and starvation experienced was in large measure artificial, since inter-regional exchange of grain was forbidden. Thus, beginning during this famine year and continuing up to 1923, as a result of the surplus-appropriation system by a firm tax and the introduction of a market, Russia not only filled its granaries but in addition it succeeded, for the very first time since 1915, in becoming a grain trader on the world market. One hundred and thirty million poods—a comparatively small amount and yet this was the first sign of the rebirth of Russia as a permanent exporter of grain. Thus it was during the NEP period that we exported grain and succeeded in satisfying our own population's requirements for food. For example, it should be understood that beginning with the year of the "great turning point," we have had a constant shortage in meat. Here is the data for the 1926/27 fiscal year. Meat and fat consumption in rural regions ranged from 39 to 43 kilograms per capita. In the process, the rural traditions of the period had to be taken into account—the desire to sell meat and others. On the other hand, meat consumption in the cities amounted to more than 60 kilograms in the families of manual workers and in the families of office employees—68 kilograms. This was the average data for the country. Independent statistical studies reveal that meat consumption in Moscow, for example, was in excess of 73 kilograms, in Irkutsk it reached 90 and in some industrial regions—up to 120 kilograms. I wish to emphasize that at the time only "red" meat was taken into consideration. Generally speaking, poultry meat was not considered at that time, nor were by-products. Our statistics confirm the fact that we are presently consuming 64 kilograms, with the term "meat" including everything but the horns, hooves, feathers or down.

[Adamov] Would you please clarify for us whether these figures were for production or consumption? As is known, for us there is a vast difference between that which we produce and that which ends up on our tables. The losses are tremendous. According to a statement I read in the press, we lose, for various reasons, equally as much meat as our total deficit.

[Tikhonov] These are production figures. But the fact of the matter is that our meat consumption is based upon gross production. My colleagues in the Institute for the U.S.A. and Canada, using a unified method, drew the conclusion that our per capita meat production is not more than 45 kilograms. According to my calculations, this indicator fluctuates from 47 to 52 kilograms.

The figures which I cited, when discussing NEP, aroused doubt in many people. They do not believe them. Indeed, it turns out that the country was fed better in 1926 than is the case at the present time, notwithstanding today's modern technologies, colossal technical pool and so forth.

[Adamov] As you have already stated, this results from the fact that the peasants were authorized to manage

land independently. But then the historical conditions were different than they are today. What must be done today in order to return independence to the peasants?

[Tikhonov] The right of a peasant to own land completely must be reinforced legislatively. In this manner the state will no longer be responsible for the work results, but rather such responsibility will rest with the peasants. But the peasants will then demand: "Give me the right to trade my products freely." And we must give him this right. The next step—deprive the state apparatus of the right to interfere in the work of a peasant, leaving it only those functions expected to be carried out by the state—protecting the social rights of a consumer or producer, exercising control over the technology in order to prevent harm from being inflicted upon a consumer or upon the environment and, finally, collecting lease payments and taxes based upon clearly fixed rates.

[Adamov] The facts which you have mentioned are quite obvious. We have discussed them in connection with other branches of the economy. Why is it that over a period of 4 years we have been unable to undertake such actions? Is it that we again need the 1921 situation, rich as it was with experimental events?

[Tikhonov] I think that there are two factors involved here. The first is political. We have a state-monopolistic economy. Both our industry and agriculture are monopolized. Monopolism requires an appropriate administrative system. Eighteen million administrators—people who really exist. Present a peasant with independence, convert him into a free leaseholder and then exactly what will the authority of the bureaucrats be based upon? On political slogans? This represents very unreliable support and today's elections have shown that in those areas where the economic foundations for the authority of the bureaucrats have become weaker, their political position has weakened also. Not everyone is pleased with this. And the materials of the Plenum of the Central Committee for Agriculture even then revealed that there are two positions. The one, clearly expressed in a report by Gorbachev, consists of presenting independence to a peasant and making him a free owner of land based upon leasing it from the state. And diverse forms of management can be ensured. The second position, it would seem, does not negate leasing relationships, but it limits them within the framework established for the kolkhozes and sovkhozes. It is the blind alley which we have already mentioned.

The second factor—the general social plan. Over a period of 60 years, we have destroyed the social type of peasant and created something completely different. Initially, as I have stated he was a bonded worker with a plot of land. But today he is a hired worker with a definite and fixed wage. A peasant knows that, regardless of the results of his labor, he will receive his salary and one which will satisfy his minimum requirements. And the peasants do not wish to undertake the risk of receiving income based upon vague results of labor

realized earlier. Studies conducted by my Siberian colleagues reveal that roughly 20 percent of the peasants questioned by them are prepared to willingly undertake leases. Approximately 40 percent of them vacillate in one direction or the other depending upon how the work is proceeding. But on the other hand, 20 percent categorically oppose any changes. And finally there is the remaining 20 percent—these are rural lumpens, people who are not working at the present time and who will not work regardless of the conditions. Thus we must function in a decisive manner.

[Adamov] In discussing the forms for land management, we often have in mind the central part of Russia and yet our discussion encompasses the entire territory of the Soviet Union, although different forms of land tenure can be found in the various republics and regions. For example, the native pastures in Central Asia and the farmsteads in the Baltic region. Today we are aware that the traditions of the people must be taken into account. Is it not possible that on this occasion we will reduce all to the same level?

[Tikhonov] In Lithuania, an intelligent individual for whom I have the utmost respect made the following statement during a discussion I held with him on the subject of lease relationships: "Vladimir Aleksandrovich, imagine if you will that you had an automobile which somebody subsequently stole from you. Your search for the guilty party proved to be in vain. Some time later, you are approached by the individual who stole the automobile who thereupon offers to lease it back to you. How would you view this situation?" Actually, a Lithuanian or Baltic peasant still knows the borders of the land owned by his parents. He can walk this plot of land and show it to you. But at the same time, he is prepared to pay for the right to manage this land, without concluding any contracts. It is important for him to know that this land has been proclaimed to be his property and that he has the right to turn it over to his sons. This is the principle. And the forms to be used for carrying it out—this is the work of each republic.

[Adamov] We often compare the course of our reforms against those being carried out in China. There the changes in the agrarian sector have been considerably more radical than those in industry. And the irregular development of the Chinese NEP, conditioned by political factors, led to the events in June. Perhaps the slogan "Land to the peasants" should not be adopted by us, since in all probability it will encourage the slogan "Factories to the workers." Is such a process possible?

[Tikhonov] Certainly, even a simple land leasing system, in the absence of an official pronouncement of denationalization, leads in the final analysis to the leasing of fixed productive capital. At such a time, the cooperative and state enterprises draw closer together in terms of status and become national enterprises and this will signify practical denationalization, that is, a change in the political situation.

[Adamov] Will not the denationalization of land lead to aggravated international relationships? During various periods of history, many lands belonged to different nations.

[Tikhonov] National problems are increasing. They derive from the semi-starved and semi-destitute existence of a majority of the populations found in national districts. Unemployment and low income levels. Will all of these factors increase in intensity? It is difficult to answer this question. I believe that the land reform must assume the right of republics, including autonomous republics, to solve independently the question concerned with the form of land ownership depending upon local conditions.

[Adamov] Have you had a chance to discuss the questions of agrarian policy with M.S. Gorbachev? Who presently comprises the corps of consultants on agriculture?

[Tikhonov] I have met with Gorbachev, but not very often. Nevertheless we are presenting materials to the Council of Ministers and to the party's Central Committee on a considerably more frequent basis. Here one finds all of the materials which constitute the foundation for the concept which I have attempted to relate to you. With regard to consultants, it is my opinion that there are no permanent-dependent, I repeat permanent-dependent, consultants. There are permanent dependents, but they are dependent, since they work in the staff organization. It is believed that the time is at hand for realizing greater benefit from permanent but not independent consultants. Since permanency of functions imposes greater responsibility upon a consultant than in a situation where his assistance is sought, assuming someone wished to do this.

[Adamov] Vladimir Aleksandrovich, the last question concerns the USSR Union of United Cooperatives. What goals have been assigned for this union?

[Tikhonov] This involves primarily the creation of a parallel economy, one, which in a competitive struggle against the one which exists now would cure it. This includes the protection of cooperation, including against itself—and against unconscientious and casual individuals who rushed into the new economics for the sake of gain. And certainly, assistance for the government in developing the strategic concept for state policy as it applies to the development of cooperation.

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#### **Institute Director Discusses Poll Results, Peasant Attitudes**

904B0077A Moscow SELSKAYA ZHIZN in Russian  
12 Oct 89 p 3

[Interview with V. Ostrovskiy, director, Institute for Socioeconomic Problems in the Development of the

Agroindustrial Complex, USSR Academy of sciences, by A. Morgachev: "Does the Peasant Need Emancipation"]

[Text] V. Ostrovskiy reflects upon data from sociological polls.

[A. Morgachev] As our store shelves grow barer, discussions about the fate of the countryside become more pointed. "Break up the kolkhozes and divide the land!" suggest some. "Don't allow this!" protest others. Vladimir Borisovich, just who are these "some" and "others" occupying opposing sides of the barricades? Whom should be heard by legislators now preparing laws on land and property?

[V. Ostrovskiy] It is best of all to listen to the peasant himself. So far everybody but the peasants has participated in the debates on the peasant question. One gets the feeling that peasants have been placed on the dock and their fate decided. The discussion has been emotional and categorical. Is the call to break up kolkhozes less violent than was the demand for immediate and total collectivization? Somebody asked the peasant whether he now needs emancipation and land and how much land he does need.

[A. Morgachev] It is rightful here to reproach sociology. It should know all this.

[V. Ostrovskiy] One can, of course, reproach it. But let me make this more exact: Whom is it asking? Scientific thinking, calculations and conclusions are one thing, and administrative-command methods are another.

[A. Morgachev] We have departed from them somewhat...

[V. Ostrovskiy] Here is a "somewhat": "How many lessees are there in the rayon?" a television commentator asks a raykom secretary. The entire country understands that leasing is a new trend and the raykom has to look better. It begins "total leasing." According to data from our surveys conducted in Ulyanovsk, Saratovsk and Voronezh oblasts, only 16 percent of the lessees polled entered into a lease on their own conviction. Of the 5 alternative answers to the question, "Why did you enter into a leasehold collective?" 36 percent answered with "Was forced," and 17 percent with "The leadership persuaded us." According to data from sociologists in Belorussia, 72 percent of leasehold collectives in the republic were created at "initiative from above." Most frequently there is an elementary pattern behind leases in these cases. For example, 14 out of 22 farms in Saratov Oblast that have converted to intrafarm lease use the simplest form of cost accounting. Only 18 percent of those polled turned out to be genuine lessees. Even this figure must be used carefully. Forty-nine percent of the lessees polled stated that they are disturbed by the lack of the possibility to plan and structure production, 77 percent are dissatisfied because they cannot influence the price for their products, 75 percent because they are deprived of the right to choose customers and 33 percent because they are limited in the

selection of technology. If a lessee is bound hand and foot, is this, in your opinion, a rejection of command-administrative methods? Incidentally, one-fourth of all those polled were certain that "in words the leadership was for leasing, but in fact was opposed to it." This is important. The American farmer, to whom we have started referring so often, has never depended upon a change in the resident of the White House, or upon the words of the secretary of agriculture. He has another psychology. Our workers learn a completely different way, they have always been compelled to look "above."

[A. Morgachev] True, under Stalin there was one policy, under Khrushchev another, under Brezhnev a third and now a fourth is being proposed. How does the countryside perceive the new twist in agrarian policy?

[V. Ostrovskiy] First, let us define what is to be included in the concept "countryside." Probably everybody has noted that in discussions about paths for agricultural development the countryside is represented by kolkhoz chairmen and sovkhoz directors. It is somewhat logical; somebody has to do it, and they know everything about the countryside. However, it must not be forgotten that they are administrators and leaders. It is a delusion to think that a kolkhoz chairman's perspective coincides with that of a tractor driver. In order to obtain more objective data, our institute polled primarily rank and file people. It found that 10 percent of those asked would like to leave their kolkhoz.

[A. Morgachev] So few?

[V. Ostrovskiy] This is very many. It must be kept in mind that the average age of a rural laborer is over 50. Consequently, the majority of them simply do not have the strength and time to fundamentally change their lot in life. Naturally, they are "for the kolkhoz." That is, they want to live peacefully until they get their pension. Also, many are frankly uncertain about the firmness of the course taken. About 70 percent of the kolkhoz farmers and sovkhoz workers think that a new "dekulakization" is possible. Twenty-nine percent of party workers polled thought this possible, as did 35 percent of workers in law enforcement organizations. Not having a guarantee of a piece of bread in case of a bad harvest, from 38 to 45 percent of those polled are afraid to take risks. Finally, lease farmers often have to start out by borrowing money. It is not in the peasant tradition to get into debt. "No, it is better that I wait it out; let others try it." If these "others" amount to 10 percent, this is quite a few. Add to this the 24 percent of those polled who would like to increase their family land allotment.

[A. Morgachev] Interesting, up to what size?

[V. Ostrovskiy] Not more than 5 hectares. Here is the rule: The more children there are in a family, then the more land the family wants. However, 56 percent of those polled do not want their children to become farmers.

[A. Morgachev] What about the children themselves?

[V. Ostrovskiy] They have a different attitude. Sixty percent of the students in the advanced classes at rural schools approved of the new forms of farm operation.

[A. Morgachev] Vladimir Borisovich, obviously the results from this research vary regionally. As you know, there are national characteristics and local traditions.

[V. Ostrovskiy] Undoubtedly there are. In the Baltic regions, where there is still a living tradition of individual farmers, peasant farms are being actively revived. In the Volga region, where, up until 1930, 95.5 percent of land was held by obshchinas, one cannot expect the birth of independent farms. Moreover, almost 40 percent of families have only 2 members, and almost half of the working population is over 50 years old. For the country as a whole, the age distribution is as follows: 760 out of 1,000 people are elderly, while in cities the figure is 538. Many of them are single women who have given the kolkhoz their best years.

[A. Morgachev] Incidentally, about kolkhozes. What are the peasants' opinions of them? Is there truth in the thesis that the kolkhoz system inevitably leads to depeasantization and to the degradation of agricultural production?

[V. Ostrovskiy] Here one must speak to all sides of the question, examining what is meant by the concept "kolkhoz." It is interesting to look at the first charters of artels, drawn up by the peasants themselves. In spite of grammatical errors, they are extremely literate in their essentials. They precisely establish the voluntary nature of the association, set limits within the framework of obshchina landholding, indicate shareholder contributions, describe the division of labor, taking family traditions into account, stipulate the collective right to ownership of the means of production and the products produced, grant legal rights to cottage industries and seasonal work and make it possible to withdraw from the kolkhoz. However, the harsh bureaucratic system of centralized administration disfigured all this. What should be meant when we say "kolkhoz"—that which we have today, or that which was voluntarily created by the peasants themselves?

Generally, village dwellers are not demanding the rapid breakup of kolkhozes. They are simply complaining about 14-16 hour workdays, no days off, poor work organization and unjust pay. Many suggest "working on their own in small four to six person collectives consisting of people who think alike," "untying their hands so that they can become masters," "not interfering in earnings," "The possibility of larger earnings," with the conversion to new forms of farm operations, attracts 53 percent of the lessees and 69 percent of the workers polled. It would seem that the answer to the question about what peasants want is: to work under conditions where they can earn more. About 37 percent of the

lessees and 32 percent of other workers see possibilities of sufficient earnings "in their private subsidiary plots, if they are expanded." We have started to study this question. It turned out that a considerable part of the rural population has very modest demands. The most important of them could be satisfied by just a small increase in family income. Also, for many years they were exorted not to satisfy their personal needs through public production, but to renounce them for the sake of public needs. Now we are reaping the fruits of this and are looking for ways to recreate an interest in work. Unfortunately, we have built a model of socialism without taking into account people's biological and social nature. This model is based upon elementary principles of comparison: if capitalism is private ownership, then socialism is public ownership; if capitalism is the anarchy of the market, then socialism is the plan; if capitalism is competition, then socialism is emulation and mutual assistance; if capitalism is small peasant farms, then socialism is large scale production. This series can be extended to the entire sphere of our public life. But life turned out to be more complicated. We wound up in a dead end street. In getting out of such a dead end street, it is better to have a cool head and a scientific approach.

#### Rural Opinion Polls Published

##### Are Peasants Leaving the Land?

904B0074A Moscow ARGUMENTY I FAKTY in Russian No 30, 29 Jul-4 Aug 89 p 4

[Article by L. Chernyshova, candidate of philosophical sciences: "Has the Flight from the Land Been Stopped?"]

[Text] The comparative analysis of results of a sociological study conducted by the Institute of Public Opinion Research of the CPSU Central Committee in large regions of the country in 1986, 1988 and 1989 offers a chance to see through the eyes of rural workers whether they are reacquiring the sense of being masters of their land and initiative from within.

Unfortunately, one has to state that the gap between the "master of the land" ideology and individual behavior not only persists but has become deeper.

In 1986, 30 percent of sovkhos workers and collective farmers said they felt as masters of the land; in 1989, 48 percent of office workers, 16 percent of construction, shop and farm workers and 13 percent of industrial workers felt they were masters at their workplace.

Complaints were voiced about the pace of intensification efforts (by over 60 percent) and labor organization, conditions and compensation (by 60 percent); many instances of mismanagement were mentioned (by 85 percent) and workers and collective farmers were rather pessimistic in assessing their ability to improve the situation in the industry.



Breakdown of Answers by Attitude to Work	1986	1989
Try to Have an Active Impact on		
—Rationalization, Technological Efficiency	32	22
—Workplace Discipline	51	42
—Resource Conservation, Protection of Public Property	35	17
I Fully Utilize My Abilities at Work	35	36.5

Comparison between answers three years apart shows a decline in labor morale, which was most likely the result of falling expectations. A large portion of rural workers, or 37 percent, are not convinced that current changes are positive and think that the economic situation in the country has worsened; just 18 percent think that their personal standard of living has improved during perestroika. In the opinion of 56 percent of respondents no change has occurred.

Leasing is seen as the most effective way to bring the peasant back to the soil. Those who shifted to that system, or 16 percent, show greater labor discipline, initiative and responsibility. Some 70 percent of managers and 65 percent of ordinary workers think that leasing should continue. However, judging by their answers, a large share of rural workers do not find leasing attractive; only 25 percent expressed a desire to shift to this form of activity, while 42 percent had no opinion.

In choosing ways to make agriculture more efficient, 73 percent of respondents stressed the need to give more independence to kolkhozes and sovkhozes. Only 12 percent were able to list advantages of collective leasing, 8 percent of family leasing and 7.5 percent of collective lease contract.

Leasing has not played a major role in turning rural workers back into peasants, since, first, it still avoids the issue of hired labor; second, it entails much hard work and an intense physical effort and, third, because complexity and confusion with interindustry prices keeps actual players from participating in setting their material incentives and introduces uncertainty into the expended effort-material reward equation. In 1989 this was the view of 50 percent of workers and managers.

Only 30 percent of respondents thought they shared in the managing of their enterprises. Only 13 percent saw meetings at the collective as useful, 5 percent thought their proposals and comments were fully taken into account and carried out and 59 percent were convinced that management was not interested in their opinion; councils of labor collectives either function poorly as organs of workers' autonomy (the view of 45 percent) or do not function at all (26 percent).

Some 30 percent of workers and 43 percent of collective farmers are convinced that the success of social and economic changes on the countryside mainly depends on them, and 60 percent said that it directly depends on management.

We have been able to put on hold harmful trends in agriculture, and to turn the consciousness of peasants to view changes with more interest, but judging by the results of our poll, it is too early to claim that the process of peasants becoming rural proletariat has been halted.

### Perceptions of Rural Future

904B0074B Moscow ARGUMENTY I FAKTY in Russian No 49, 9-15 Dec 89 p 4

[Article by V. Bakushev, candidate of philosophical sciences, sociologist: "Soviet Farming: Will It Last Until Tomorrow?"]

[Text] The Agroprom has failed to feed the country. The food program has siphoned off tremendous funds but the problem is still urgent. Not only does production lag, but growth rates in the processing industry and storage capacity also do. What is it that stands in the way of feeding the country and who could solve this problem?

We have heard numerous general statements about the recognition of "multiple economic forms" being our agricultural strategy. However, the core structure of this "multiplicity" has failed to materialize. New forms emerge painfully and steps must often be retraced. As they fight stereotypes in thinking among the bureaucrats who for years have ordered agriculture about, peasant families bold enough to take business into their own hands are asserting their right to become a part of the emerging agricultural complex.

What is the future of the Soviet farmer and what can society expect of him? According to existing data, few could be called Soviet farmers, or a little over 4,000 people. This small social group will not just supplement, but develop considerably and rebuild agricultural production, which has lost its vitality, and the rural way of life.

Who wants to go into business independently? The sociological analysis of the results of a poll conducted among delegates of the founding conference of the Association of Russia's Peasant Farmers shows that most of them are convinced that the land should be leased for long periods of time, perhaps even in perpetuity, with the right of inheritance. Local soviets, and never kolkhozes and sovkhozes, should give out land. They also think that in exceptional cases, depending on local conditions, the state could sell plots to peasant families. However, trade in land is not acceptable.

The poll supports the view that multiple economic forms, with family farming having a status equal to that of other existing and emerging forms—such as agricultural companies and complexes—are generally popular. However, the emphasis on encouraging leasing has as its goal the solution of the food problem and does not help restore the peasant way of life on the countryside.

Almost three quarters of the Association of Peasant Farmers members polled think that the main difficulty

in the development of family farming is the legal ambiguity of the new form of activity, and the rest see the problem in the resistance of rural managers.

Most respondents intend to invest their profits back into their businesses. The legitimate question is whether or not this promotes private property. But the material content of individual property is changing. Only three years ago, a peasant could not have a tractor on his private plot, but today it is no longer considered an offense. One would think that if a dozen highly productive cows were treated with care at a family farm, it would be both economically and morally preferable to the abysmal treatment animals endure at sovkhoz farms.

Most farmers, or 70 percent, stress that they want to produce environmentally safe products.

Farmers spoke of the need to create a broad network of self-financing entities able to provide a wide range of services locally.

The poll showed that peasant farms do not get necessary assistance from local soviet and kolkhoz party organizations. Moreover, farm organizers are often hounded. Only one out of 6 or 7 respondents said that they got some support from rayon ispolkoms. Yet, in Lithuania, farmers get support from the newly formed Peasant Association. Respondents praised the first research and consulting cooperatives in Moscow Oblast offering legal and economic help to beginners. As to existing rayon units of the Agroprom, they do not bother with farmers. If so, what is the worth of all those statements about equal status?

## MAJOR CROP PROGRESS, WEATHER REPORTS

### Autumn Weather, Crop Conditions

#### Mid-October Conditions

904B0040A Moscow SELSKAYA ZHIZN in Russian 27 Oct 89 p 1

[Article by T. Rossinskaya, agricultural meteorologist. "Weather and Crops"]

[Text] Moderately warm weather is observed in most of the USSR European territory. In most districts, the average temperatures for the last ten days were 1-2 degrees C higher than in many previous years. Everywhere there were night frosts from 1 to 6 degrees below zero. In the north of the Volgo-Vyatskiy region and in most of the Uralskiy regions, frosts were from 7 to 9 degrees below zero.

In the Ukraine, Northern Caucasus, Moldavia, in the South of the Volga area, and in the Central Chernozem Belt, the conditions for harvesting sugar beets, sunflower, corn and late types of vegetables were mostly

favorable. The 2-3 days of rains did not seriously interfere with harvesting. At the same time, in the North-West of the Ukraine, in Belorussia, in the Baltic republics, in the Central Area, and in most of the Central Chernozem Area, the weather conditions were unfavorable for the final stage of harvesting and for fall plowing. The top layer of soil became saturated after 4-6 days of rain which caused interruptions in the field work.

Vegetation of winter grain crops could be observed only during daytime in the Northern region, in the North of the North-Western region, and in the Central, Volgo-Vyatskiy, and Uralskiy regions. The crops there are mostly in their tillering stage. Their bushiness measures as 2-3 shoots per plant. Winter rye of early sowing sprung 4 or more shoots per plant. In other regions of the European part of the USSR, vegetation of winter crops continued.

In the Uralskiy and Volgo-Vyatskiy regions, there was a considerable drop in temperature in the last few days. The minimum temperature dropped to 10 degrees below zero and to 13-18 degrees on the soil surface. The snow cover reached 2-7 centimeters in height.

In most areas of Western Siberia, vegetation of winter crops could be observed only during daytime. Insufficient moistening of the tillable layer of soil was recorded as before in the south of the Novosibirskaya Oblast and in certain areas of the Altayskiy Kray. There was sufficient moisture on the rest of the territories. In the next few days, after a brief warm spell, it will get cold again: the temperature will drop down to 3-8 degrees below zero at night and to around zero in daytime. Snow is expected. Snow cover during the third week of October used to appear in some regions of the Irkutskaya and Chitinskaya Oblasts.

The republics of Central Asia are having dry and warm weather favorable for cotton gathering and also for cattle grazing and driving. Conditions for sprouting, growth and development of winter grain crops deteriorated due to lack of nourishing moisture in the soil.

#### Late October Conditions

904B0040B Moscow SELSKAYA ZHIZN in Russian 8 Nov 89 p 2

[Article by T. Rossinskaya, agricultural meteorologist. "Weather and Crops"]

[Text] The weather stayed warm for an unusually long time on the European territory of the USSR. But now you can feel a breath of cold air. Night frosts can be expected even in the South.

Most noticeably, temperatures plunged in the North-East. It was snowing there, the height of the snow cover reached 1-10 centimeters, and in places 15-20. In most areas of the Northern, Volgo-Vyatskiy, and Uralskiy regions, vegetation of winter grain crops and of perennial grass stopped 15-20 days later than average for many

previous years. The minimum temperature of soil at the depth of winter crops tillering nodes was between 0 and minus 2 degrees Centigrade.

In the North-Western, Central, Central Chernozem regions, in the North of the Privolzhskiy region, and also in the Baltics and in Belorussia, winter grain crops are well-supplied with moisture. In places, soil is saturated.

In Moldavia and in most of the territory of the Ukraine and North-Caucasian region, the tillable layer of soil in the fields of winter crops received sufficient moisture. Winter crops of the optimum sowing periods were in their tillering stage. Crops of late sowing periods [first half of October] were in the stage of sprouting and developing the third leaf. In certain areas of the Lower Volga region and in the east of the North-Caucasian region, moistening of the soil proved insufficient for the crops. In those areas, winter crops were in the stages of sprouts and third leaves.

Conditions for the final stage of harvesting of late crops were favorable in the southern half of the European part of the USSR. The weather was warm, and 2-3 days of rains did not interfere in any considerable degree with the work. Harvesting was affected unfavorably by rain in the north of Belorussia, in the Baltic republics, in the North-Western and in the north of the Central regions. In most areas, the top layer of soil stayed saturated.

In the Western Siberia and Northern Kazakhstan, the weather was unstable, with frequent rain and strong winds. The first and the last days of the ten-day period were especially cold: the minimal temperature was 8-15 degrees below zero or even lower in places. During 5-9 days, there was rain and wet snow. The precipitation measured up to 11-40 millimeters, 45-70 in places, which is 1.5-5.5 times higher than the many years' average for the same ten-day period. Thickness of snow cover reached one to eight centimeters. Winter grain crops and perennial grass were in their dormant state.

In the republics of Transcaucasia and of Central Asia, with the exception of Turkmenia and Tadjikistan, the rains that passed somewhat increased moistening of the tillable layer of soil under the winter crops on unirrigated lands. Turkmenia and Tadjikistan had little precipitation and therefore the winter grain crops still do not have sufficient moisture in the soil. No specific problems were observed during picking of raw cotton. In some places—in the Fergana valley, in Tashkentskaya, Syrdaryinskaya and Samarkandskaya oblasts and in Kirgizia—four to six days of rain disrupted the picking.

## Reports from Major Sugar Beet Regions

### Western RSFSR

904B0049A Moscow SELSKAYA ZHIZN in Russian 31 Oct 89 p 1

[Article by M. Sushkov, director of Rossakhsvekla [Russian Sugar Beet Association] of RSFSR Gosagroprom [State Agroindustrial Committee]: "Russia's Sugar Conveyor"]

[Text] The kolkhozes and sovkhozes of the Russian Federation have raised a good sugar beet harvest this year. Each hectare is yielding about 250 quintals of root crops. Harvesting is coming to a close; 29 million tons have been made available for processing. A total of about 31 million tons will be procured in all.

On the eve of the celebration of Great October we are satisfied with the success of beet farmers in Voronezh, Belgorod, Kursk, Lipetsk, Orel, Bryansk, Ulyanov and Tula oblasts, which surpassed state orders considerably. The enterprises of Krasnodar and Stavropol krais, which are gathering over 300 quintals of root crops per hectare, are close to this.

As before the flagmen of Russian beet farming—Rossiya Kolkhoz of Medvenskiy Rayon and Zarya Kommunnizma Kolkhoz of Korenevskiy Rayon, Kursk Oblast—have remained at the top. They collect 600 quintals of root crops per hectare. About 500 quintals is the yield in Znamya Lenina Kolkhoz of Bryukhovetskiy Rayon, Krasnodar Kray.

All of the sugar plants in the republic are working at an intensive pace. Already, 12 million tons of raw materials have been processed. The sugar content of root crops surpasses last year's indicators by almost 1 percent. The output of the end product, sugar, has increased significantly as well. At Ulyanovskiy Plant, for example, it reaches 14 percent. The sugar refiners of Ust-Labinskiy Plant in the Kuban are surpassing their plan productivity.

### West, Central Ukraine

904B0049B Kiev PRAVDA UKRAINY in Russian 25 Oct 89 p 1

[Article by T. Arkushenko: "Beet Farmers Are Taking A Test"]

[Text] This season was not quite successful for the republic's beet farmers. However, this did not prevent many enterprises from cultivating a good harvest. For example, in Kolkhoz imeni Kalinin of Yampolskiy Rayon and Kolkhoz imeni Lenin of Kazatinskiy Rayon, Vinnitsa Oblast, where large areas of land are always allocated to beets, farmers are harvesting 500 and more quintals of roots per hectare. The work is proceeding at a precise pace and equipment is utilized throughout the daylight hours.

Today the root harvest is greater than in past years in a number of rayons and oblasts as a whole as well. If this raw material is harvested and preserved efficiently and processed in the best possible time, it is possible to noticeably increase sugar output. It is with this attitude that the farmers of many other enterprises of Vinnitsa Oblast, Ternopol and Bukovina are working. They dig up an average of 370-380 quintals of beets per hectare respectively. At the beginning of the season harvesting was carried out in the volumes that were needed for the

well-paced operation of plants. With an increase in pace a part of the root crops is stored in root crop pit fields.

A mass harvest in all 19 beet cultivation oblasts began much later than usual this year. Its pace and the interaction of participants in the conveyor are being established by the intensive plan of product procurement—no fewer than 44 million tons of raw beets are to be delivered for processing. Over 30 million tons have already been harvested. The average load per combine comprises about 100 hectares, which is approximately equivalent to the norm. But as of yet only half of the harvested beets have been processed. It is essential to decrease the time the beets need to be stored in pits to a minimum. After all, as confirmed by specialists, under such conditions over a period of 100 days the sugar content decreases by almost half.

With good organization it is completely possible to deal with the harvesting and shipment of root crops before cold weather sets in and to retain sugar content. However,

unfortunately not everyone prepared as he should have for this work; many harvesting units have not been repaired even today. This refers primarily to Volynsk and Lvov oblasts. Specific crew assignments have not been made everywhere.

Transportation workers of various departments are helping to move the roots from the fields. In Kamenskiy, Zolotonoshkiy and Chernobayevskiy rayons of Cherkassy Oblast, Yampolskiy Rayon of Vinnitsa Oblast and Dunayevetskiy Rayon of Khmel'nitsky Oblast the centralized method of truck operations is being used more and more extensively. As attested to by experience, it enables us not only to free up to 40 percent of machines but also to decrease losses of raw materials. At the same time in Poltava and Kirovograd oblasts the possibilities of this progressive method are used not at all fully by far. In a number of the republic's rayons trucks remain idle due to the shortage of fuel and lubricating materials.



## POLICY, ORGANIZATION

### Construction Trust's Lease Contract Experience Related

904C0003A Moscow *EKONOMICHESKAYA GAZETA* in Russian No 37, Sep 89 pp 4-5

[Article by Yu. Nikitin, deputy manager for economics at the Kubansantekhmontazh [Kuban Plumbing Installation] Trust, Krasnodar, and correspondent Ye. Babak under the rubric "The New Mechanism of Economic Operation": "The SMUs Are Being Retired"]

[Text] The Kubansantekhmontazh Trust converted to leasing contract as of October 1—it was one of the first in the country's construction complex to do so. The construction and installation administrations [SMU] were dissolved here at the same time. Now Kubansantekhmontazh is the sole trust in the USSR Minmontazhspestry [Ministry of Installation and Special Construction Work] system that has rejected the SMU, that basic management link in construction organizations.

The first months of operation were the time of emergence of the new form of labor organization. It has confirmed the correctness of certain conceptions and has forced corrections in others.

#### From the Correspondent's Notebook

*Kubansantekhmontazh is the smallest trust in Minmontazhspestry. It performs 17 million rubles of work a year. The trust ranks below many other construction organizations of Krasnodar Krai in reputation and scale. But the subdivisions of the trust are scattered all across its territory. The workers install plumbing equipment, ventilation and heating systems at industrial enterprises and in residential housing.*

*At the ministry they say that Kubansantekhmontazh was mentioned with a heavy sigh several years ago. Well, they said, let's count up the losses of the Krasnodar people. And they counted them up from year to year. Then a new manager came—Vasily Nikolayevich Dyakonov. He updated the equipment base and organized the construction of a major workshop for the manufacture of heating equipment. And very soon they started counting up profits instead of losses at the trust. Dyakonov was also one of the initiators of the conversion of the trust to leasing and a two-tiered management system. And now—the words of deputy Yu. Nikitin himself.*

#### Who's Running the Show?

The trust concluded a lease contract running to 1991 directly with the Promventilyatsiya [Industrial Ventilation] NPO [Scientific Production Association], of which it is a part. The lease payments include the following components: deductions from accounting income into the budget (9.83 percent), to the centralized funds of the ministry (2.68 percent) and the NPO (1.44 percent);

payments for fixed and working capital (4 percent of gross income), labor resources and depreciation deductions.

A board with an economic council and arbitration is now the supreme body in the trust. The board includes the trust manager and his deputies, the chairmen of the profit centers of the trust, the chairman of the labor-collective council and his deputies, the chairman of the council of secretaries of party organizations, the chairman of the united council of the trade union and the chairman of the auditing commission.

All of the members of the board were elected: the chiefs of the profit centers at meetings of their own collectives, and the manager at a conference of the labor collective of the trust. The elections were held before the conversion to leasing, and the voting was open.

The principal functions of the board are improving the production and organizational structures, selecting and placing personnel, regulating the mutual relations among subdivisions of the trust and approving the estimated expenditures of centralized funds and the dimensions of the lease payment along with making decisions based on the results of audits.

An economic council was formed from among the members of the board that is its executive body and prepares materials for the monthly sessions of the board.

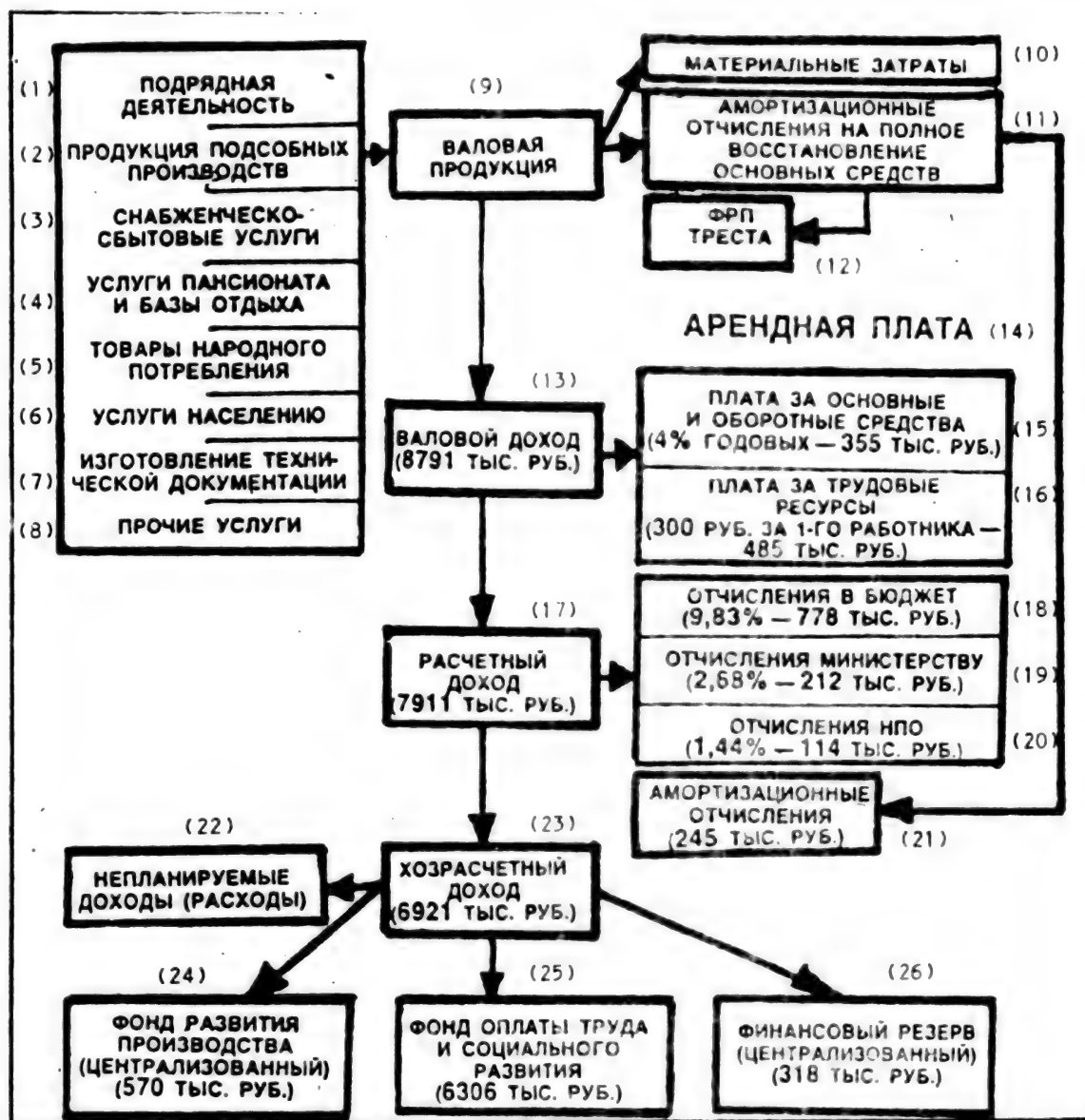
The council of the labor collective resolves social issues (material assistance for those needing it, material and moral incentives for the best workers etc.).

The 30 profit centers became the basic production elements after the dissolution of the eight SMUs. Each of them has concluded a lease contract with the trust. The dimensions of the lease payments are determined in strictly individual fashion and depend on the volume and structure of the work being performed, the technical sophistication etc. It is clear that the size of the lease payments for the subdivisions differ sharply (by almost 4 times). All of the calculations, whatever techniques we used, were performed on the basis of practical experience.

The profit center has its own operating account at the bank. The collective of that subdivision—20-80 people—is obliged to live on the funds they earn themselves. They go to pay wages, for social development and for in-house needs. Subsidies from the trust for these purposes are not provided. True, we can borrow at our accounting center. The collective decides how to spend the funds—increase wages or construct housing for their own workers.

The production-development fund has been centralized. The trust board now decides how to spend it.

The subdivisions report their gross and net profits, the amount of work performed and wages and compose an accounting balance sheet. The trust, of course, monitors them. There is an administrative auditing department



Formation and Distribution of Trust Income Using Lease Contracts (According to the 1989 Plan)

Key:

- |   |  |
|---|--|
| 1. Contract activity  | 16. Payment for labor resources (300 rubles per worker—485,000 rubles) |
| 2. Output of auxiliary types of production                                      | 17. Accounting income (7,911 million rubles)                           |
| 3. Sales and supply services  | 18. Deductions to budget (9.83 percent—778,000 rubles)                 |
| 4. Pension and rest camp services   | 19. Deductions to ministry (2.68 percent—212,000 rubles)               |
| 5. Consumer goods   | 20. Deductions for the NPO (1.44 percent—114,000 rubles)               |
| 6. Public services  | 21. Depreciation deductions (245,000 rubles)                           |
| 7. Preparation of technical documentation                                       | 22. Unplanned income (expenses)  |
| 8. Other services   | 23. Business income (6,921 million rubles)                             |
| 9. Gross output   | 24. Production-development fund (centralized) (570,000 rubles)         |
| 10. Material expenditures   | 25. Wage and social-development fund (6,306 million rubles)            |
| 11. Depreciation deductions for complete restoration of fixed capital           | 26. Financial reserve (centralized) (318,000 rubles)                   |
| 12. Trust FRP [production-development fund]                                     |  |
| 13. Gross income (8,791 million rubles)   |  |
| 14. Lease payments  |  |
| 15. Payments for fixed and working capital (4 percent of annual—355,000 rubles) |  |

for this that regularly inspects their financial and book-keeping documents. But there is no monitoring by the bank or financial bodies.

All reporting to higher bodies is composed in the trust apparatus. **It was namely the reduction in reporting that made it possible to eliminate the SMU**, whose apparatus was basically engaged in compiling information.

Spending is passionately counted by all, from the worker to the chief of the section. They have rejected cars for the managers almost everywhere. Many of them drive a car themselves. The use of personal motor transport is encouraged. The drivers of cars are reimbursed for gasoline expenses.

A careful inventory of all the equipment on the trust balance sheet was performed with the conversion to leasing. I recall how we called for them to get rid of unnecessary or obsolete equipment at all our meetings years after year—and all for naught. And now they have written off total fixed capital of about a million rubles over the fourth quarter alone.

The real foundation of the trust's activity is the performance of work at state-order sites—facilities of RSFSR Minyugstroy [Ministry of Southern Construction]. State orders are 60 percent of the overall volume of work. The lease contract of the Promventilyatsiya NPO requires that these facilities be provided with all essential resources.

The trust in turn passes the state order along to the subdivisions. The trust, and not they, pay the fines in the event it is not fulfilled. Reductions in the lease payments of the profit centers are one incentive for the fulfillment of the state order. Any contracts may be concluded or any services performed beyond the state order that the collective of the individual section or trust is able to manage. There is a great demand for plumbers everywhere, right down to apartment repairs. The opportunities that have opened up, along with the reduction in the administrative apparatus, have allowed an appreciable increase in earnings in the trust.

#### From the Correspondent's Notebook

*The construction of a multi-story building is coming to an end not far from the center of Krasnodar. A team from Kubansantekhmontazh is working in the bowels of the enormous building. Installer Aleksandr Pugachev does not remember where this one falls in his count. He has been in the trust over ten years, since back when the organization was numbered among the hopelessly backward ones, and the workers were among the lowest paid at the construction sites and plants of the city.*

*"Today you can't complain. Wages have gone up one-and-a-half to two times compared to last year alone," relates Pugachev. "The wages are quarterly. We receive the pay as an advance in the first, second and half of the third months, and at the end of the quarter is the final accounting. We distribute the wages allowing for the KTU*

*and pay scales. We can reject the scales as well. But it's more convenient for us this way. Several people, by decision of the team, receive supplemental pay for high skills—8-14 percent of the pay scale.*

*"Sometimes we provide incentives simultaneously for some important work and sometimes we knock some off the pay. No offense there. Everybody sees who can do what and who has earned what."*

#### All the Income for Wages?

The skeptics were saying during the conversion to leasing that license in the distribution of business income was a risky business. Would the collective suddenly throw all the income into wages? The need for housing, kindergartens, certificates for sanatoria and other social benefits differs for everyone, while a desire to get good wages is characteristic of all. But any right-thinking owner cannot help but think of tomorrow. The apprehensions were thus not justified. The collectives are creating financial reserves and updating their equipment.

There has been no skewing of wages. The trust income is growing faster than the wage fund. The economy in the wage fund totals over half a million rubles.

But all the business income in one section—the Novorossiysk—was spent on wages nonetheless. They didn't even think about a financial reserve. True, they quickly realized there that they had done something wrong, and they straightened out the wages in the next quarter. But it would cost the state dearly if everyone started experimenting that way. But orders are powerless here at the same time: you don't send down a directive to the section to "direct funds toward the development of production.

"How do you act in such a situation? The board decided it was safest to attract workers' funds for the renewal of fixed capital through shares of stock, which the trust will issue next year. The money received will go into a centralized fund for the development of the trust. Today we have to think about how best to get people interested in acquiring stock.

"We, as subcontractors, are the last to arrive at a job. And the construction workers' disease is well known—they hand over the facilities, as a rule, at the end of the year. And so we have crash work in October-December, we don't have enough people. And after the first of the year, conversely, we don't have enough work. This lack of rhythm is reflected in the wages accordingly. When cooperatives appeared, the workers rushed over. Now they aren't leaving for the cooperatives."

#### Not by Number, but by Skill

The new production relations demanded a new organization of labor and pay for the administrative apparatus. They were also granted the right to perform services for outside organizations directly. According to the initial plans, all of the services were to become economically

accountable and exist on the funds that they received from the services they rendered.

That approach, however, proved to be realistic only in relation to the process design-engineering bureau and the legal department.

The process design-engineering bureau reviews the design-engineering and planning-estimate documentation coming in from the trust sites and other organizations. Each review is paid for.

The income of the legal department is formed according to a standard for the difference between the total fines exacted from partners and the total fines paid by the trust. The net balance of this activity is still positive. Last year the trust income increased by 450,000 rubles. In 1986 the trust, by way of comparison, received just 200,000 rubles in sanctions. Partners that are forced to put out large sums try not to violate their obligations anymore. The regularity of operations improved visibly right off at the Krasnodarproyektstroy [Krasnodar Construction Planning] Association and the Adygpromstroy [Adyg Industrial Construction] Trust. We had never even dreamed earlier that they would be submitting facilities before the fourth quarter.

The legal department considers complaints by subdivisions against each other free of charge. By the way, we did not envisage penalties right away for the non-fulfillment of obligations by subdivisions among themselves. Today we are convinced that economic accountability [*khozrashchet*] in the trust is impossible without it.

And when we started a discussion with the workers on payments for accounting, bookkeeping and other services, it turned out that not everyone understood the sense and necessity of financial and economic work. The board decided that every subdivision is obliged to deduct a certain sum for the maintenance of the services and administration of the trust.

Wage standards have now been set for the departments depending on the business income of those subdivisions of the trust whose work they support.

This system has not justified itself either, however. It provides no opportunity for an objective evaluation of the labor contribution of the individual. A clerk, for example, had an income that approached the pay of department managers. But the work, after all, is not comparable in skills or intensity. We therefore decided to return to a system of fixed salaries. But we will raise the role of material incentives. Good work should receive generous bonuses.

The main change nonetheless is that working under the new conditions has required initiative of the staffers of the apparatus.

Tatyana Melyukhova is now working as the deputy chief of the commercial-contracts department, and she came to the trust at one time right after finishing the institute.

She says that for ten years she was just a simple coordinator between the ministry and the subdivisions of the trust. The ministry issued orders and she rewrote them and scattered them downward. Now she has to compute every time whether it is more advantageous for the trust to conclude the next contract.

The role of the bookkeepers has risen sharply under the new conditions: the requirements for the quality of the accounting have increased. Several bookkeeper positions have remained unfilled with such a large reduction in the trust. The administrative apparatus has been reduced by 109 people overall in the course of structural restructuring.

#### From the Correspondent's Notebook

*Larisa Alifanova, the deputy chief of the accounting center:*

*"They cut me back. Not the authorities, the workers. I was a labor economist at the Krasnodar SMU. When the SMU was dissolved, the collective itself decided who it needed from among the administrators. They rejected my job. I came out ahead as a result—my new duties are incomparably more interesting. But at the time... It was so unpleasant, so offensive!"*

*Conversion to leasing inevitably entails reductions in administrative personnel. There are several examples in Krasnodar itself where administrative workers impeded the creation of construction leasing teams with all their might. Here you can hear the sensational story of how one of them, in order to incorporate leasing, had to leave the SMU.*

*And even today, USSR Minmontazhspeetsstroy is giving very guarded evaluations of the mass reductions being pursued at Kubansantekhmontazh and the matter of the dissolution of the SMU. This is, of course, a matter for the collective, but won't the production process be worsened if the ministry has doubts?*

#### There Were No Conflicts

So far matters have only gained! There are 1,600 people in the trust, and one out of every five is an administrative worker. **Some 1.25 million rubles were spent on the upkeep of the administration last year, while an estimate of 272,000 rubles has been approved for 1989.** And the pay of each has gone up as well.

Today each profit center has an average of 2.5 economists and bookkeepers—two on staff and one that is brought in for vacations or illnesses.

Out of the people that were cut back, 47 have remained in the trust in some new capacity. Another 62 were dismissed. Each was given severance of two months' pay. There was not a single conflict. I think because the whole collective took part in the re-organization.

The problem of job placement, however, will undoubtedly arise if these reductions are done across the whole kray, and it can be resolved only with the aid of kray-level bodies.



**From the Correspondent's Notebook**

*The chairman of the labor-collective council, team leader Belik, was quite vigorous in a discussion with the deputy manager for economics:*

*"You people, the administration, decided to dissolve the UPTK [Production and Technological Supply Administration], and now what about us at the site? Now there's not enough materials, and will there be anybody to deliver them?"*

*"But it was you, Vladimir Aleksandrovich, who insisted on reductions in supply workers."*

*"How was it me?"*

*Who voted for it at the board? Who was claiming that there were so many of them that they were in each other's way?"*

*"True. I voted..." said the team leader, confused.*

*It would not be an exaggeration to say that leasing relations require more competence and a broader outlook of all members of the collective—both workers and executives—than before.*

*Decisions are made collectively (and, as practice shows, are not always the correct ones); the voice of one person can be decisive.*

*They say in the trust that one section was even seriously debating whether they needed a chief engineer. What about replacing him with a team leader? Then he could be paid less.*

*And what happened with the supply workers? They calculated that the direct profits from their activity were less than the expenditures on maintaining them. That was when the question arose at the board of whether they could be partially cut back. And it is well known that matters are still not so good in supply. There is a particular lack of plumbing hardware, without which the trust might as well stop working. So there were essentially no extras among the supply workers. How could that be? A way out was eventually found: part of the expenditures for the upkeep of the UPTK were reimbursed by the general contractor,*

*as was agreed to in advance in the contract. This was advantageous for the general contractor: experienced specialists would be engaged in supplying his sites. And what if they had given in to the first rush and rejected the supply workers?*

*I have heard how the workers of one section were asking a representative of the administration why the ministry was not providing money for housing. The ministry is not obligated to provide it now, they explained to them, you yourselves should earn it, the trust is on leasing. All of that is so, those asking replied, but why won't the ministry provide money anyway? It is much more difficult to alter a person's consciousness than to re-organize production. Nothing here will come of impulse. The leasing relations themselves, on the other hand, are changing people, making them the true owners. This is shown by the experience of all the leasing collectives.*

**The NPO of the Future**

I was already saying how much the internal statistical reporting of the trust has been reduced. But the reporting "upward" has remained unchanged. The enterprise annual report includes 58 various forms and expansions on them. We write all kinds of information in them—from the economy of electric power to the documentation of job positions. And in our opinion, it would be quite sufficient to report on the volume of work performed and to declare our income. There are, after all, financial organizations and a bank in the local areas, let them monitor the rest of the indicators. Today thousands of people are engaged in balancing the balance sheets for all the line items, from the installation administration up to the ministry. So many staffers are occupied with reports at Promventilyatsiya NPO alone! Just like the administrative workers of our former SMUs.

The NPO is presented to us as a voluntary association of state enterprises led by a council of managers. Here there should be a standing executive body that is formed by the council and subordinate to it. The functions and, accordingly, the income of this body are also determined by the council. Why not perform an experiment in creating such an NPO, at least within the framework of our ministry?

## POLICY, ORGANIZATION

### Consumer Goods Imports for 1988, 1989 Reported

90KD0039A Moscow ARGUMENTY I FAKTY in  
Russian No 1, 6-12 Jan 90 p 4

[USSR Goskomstat Report: "USSR Consumer Goods Imports"]

[Text]

USSR Consumer Goods Imports			
Item	Jan-Sep 88	Jan-Sep 89	Jan-Sep 89 in Percentage of Jan-Sep 88
Raw Material for producing food-flavoring goods, millions of rubles	5805	6980	120
from socialist countries	3810	3788	99.4
from capitalist countries	1995	3192	160
Grain, millions of tons	25.1	29.7	118
from socialist countries	2.0	1.7	85
from capitalist countries	23.1	28.0	121
Coffee, thousands of tons	39.0	63.0	162
from socialist countries	6.1	6.2	102
from capitalist countries	32.9	56.8	173
Cocoa beans, thousands of tons	107	165	154
from capitalist countries	107	165	154
Tea, thousands of tons	76.6	99.2	130
from socialist countries	15.6	19.7	126
from capitalist countries	61.0	79.5	130
Raw sugar, millions of tons	4.0	4.8	120
from socialist countries	2.9	3.4	117
from capitalist countries	1.1	1.4	127
Food-flavoring goods, millions of rubles	2289	2712	118
from socialist countries	1692	1648	97
from capitalist countries	597	1064	178
Meat and meat products, thousands of tons	516	505	98
from socialist countries	479	382	80
from capitalist countries	37.2	123	331
Animal oil, thousands of tons	287	208	72
from socialist countries	25.2	56.1	223
from capitalist countries	262	152	58
Cheeses, thousands of tons	9.5	7.9	83
from socialist countries	8.1	7.6	94
from capitalist countries	1.4	0.3	21
Fresh and fresh-frozen fish, thousands of tons	482	420	87
from socialist countries	7.6	1.4	18
from capitalist countries	474	419	88
Fresh vegetables, thousands of tons	176	125	71
from socialist countries	164	112	68

## USSR Consumer Goods Imports (Continued)

Item	Jan-Sep 88	Jan-Sep 89	Jan-Sep 89 in Percentage of Jan-Sep 88
from capitalist countries	12.1	12.6	104
Fresh fruits and berries, thousands of tons	454	433	95
from socialist countries	308	304	99.0
from capitalist countries	146	129	88
Refined sugar, thousands of tons	99.2	227	229
from socialist countries	28.3	25.4	90
from capitalist countries	70.9	202	285
Vegetable oil, thousands of tons	291	790	271
from socialist countries	20.4	13.0	64
from capitalist countries	271	777	287
Manufactured consumer goods, millions of rubles	6052	6947	115
from socialist countries	5052	5246	104
from capitalist countries	1000	1701	170
Sewing goods, millions of rubles	1095	1275	116
from socialist countries	898	1026	114
from capitalist countries	197	249	126
Knitted outer and under garments, millions of rubles	523	583	111
from socialist countries	377	385	102
from capitalist countries	146	198	136
Hosiery, millions of rubles	79.9	80.8	101
from socialist countries	70.0	69.8	99.7
from capitalist countries	9.9	11.0	111
Leather footwear, millions of pairs	51.0	50.6	99.2
from socialist countries	44.3	41.3	93
from capitalist countries	6.7	9.3	139
Furniture, millions of rubles	445	423	95
from socialist countries	436	416	95
from capitalist countries	8.8	7.2	82
Medicines, millions of rubles	1033	1154	112
from socialist countries	963	1064	110
from capitalist countries	70.3	89.9	128
Soap, thousands of tons	5.1	100.1	19.6-fold
from socialist countries	5.1	5.5	108
from capitalist countries	-	94.6	-
Detergents, thousands of tons	36.9	212	575
from socialist countries	36.5	54.4	149
from capitalist countries	0.4	158	-
Perfumes and cosmetics, millions of rubles	363	408	112
from socialist countries	238	234	98
from capitalist countries	125	174	139
Sewing machines, thousands	82.7	91.5	111
from socialist countries	70.0	57.9	83
from capitalist countries	12.7	33.6	265

### Committees Discuss Ways to Curb Prices

904D0007A Moscow TRUD in Russian 1 Oct 89 p 1

[Article by A. Pankov: "To Curb Prices: In the USSR Supreme Soviet and USSR People's Control Committee"]

[Text] Currently, many committees and commissions of the USSR Supreme Soviet are engaged primarily in discussing the preliminary plan and budget for the next year. But this will go on for a long time, and we will report on it in the future. Today, we offer you a report by our parliamentary correspondent from the joint meeting of the USSR Committee on People's Control and the USSR Supreme Soviet Commission on Labor, Prices and Social Policy Issues, which discussed how to stop price increases.

A scream from the bottom of the soul frustrated by inability to buy goods. This phrase, which may one day become a catchphrase, was heard at the end of the meeting. But the scream itself—and I would even call it a groan of millions—was heard during the entire discussion. The bitterness and alarm of the people seemed to have infected all participants. When Deputy Chairman of the USSR State Committee on Prices I. Gorbachev announced in a professional monotone that prices for staples are rising no faster than in the previous five-year plan period, and that cereal prices have not changed since the 1950s and meat prices since the 1960s, he was showered with accusations.

"You want to lull our concern with your figures," declared deputies A. Baranov and S. Gurenko. "Why are you not answering the direct question: can the State Committee on Prices stop price increases or not?"

Emotions... Both at sessions of the USSR Supreme Soviet and at meetings of its committees and commissions, emotions and a style appropriate for a rally win over reason. Now more than ever, one would think, statesmen need the wise equanimity of a medical doctor. Only then will they be able to make decisions worthy of their high status and be truly able to change the situation quickly and radically.

I. Gorbachev felt uncomfortable on the podium. Of course he did not want to lull anybody, but his speech was not convincing enough. Some opponents reproached the State Committee on Prices for being too passive and too slow and for not carrying out the government resolution passed on 5 January of this year to establish a state-wide system of price controls, for which a two-month deadline had been given. In reply, I. Gorbachev spoke about widespread inspections at enterprises, about sanctions, about developing new methodologies and about proposals to abolish preferential distribution of profits on goods labeled "N" and "D".

Listing all the measures alone consumed a considerable amount of time. Nevertheless, the question remained:

why are the shelves still empty and why is inflation accelerating? Does this mean that the committee's measures are ineffective?

"If the State Committee on Prices is nothing but a barometer of the economic situation, we cannot agree to such role," stated the commission's chairman N. Gritsenko. "Let us then recognize that this entity is useless and start seeking other forms to affect the problem."

It would seem that complaints about the State Committee on Prices were legitimate. Unfortunately, our state agencies, despite an emergency financial and economic situation in the country, often still act in the spirit of old times: slowly and ponderously. And yet, in the course of the meeting I wanted to ask (even though journalists are not allowed to do so): "Is this the main problem?" Is a thin hairdo the fault of the hairdresser if it is the customer who is losing his hair? Every day we speak of using economic policy measures, but when we come against a concrete problem we quickly begin clamoring for stiff actions and sanctions. How long will we continue to reach for the whip?

True, we want actions that get results quickly. True, many sanctions and even economic measures seem to have been ineffective in this situation. But would it be right to abandon the four years of difficult reform that are already behind us and to return to strict regulation? Even from this point of view, to speak of the leading role of the State Committee on Prices does not seem most productive.

It would probably be more useful to discuss the supplementary emergency economic measures proposed by some participants of the meeting.

Prices should not be set. The State Committee on Prices does not set them. Any forced adjustment leads to numerous negative phenomena, such as speculation and shadow economy. One has to agree with these statements of deputy chairman of the commission A. Zhuravlyov. Unfortunately, few deputies carried on the discussion in this key.

As a supplementary emergency measure, A. Zhuravlyov, an economist from Minsk, proposed to introduce a convertible ruble starting in January of next year. Such rubles would be paid as part of salaries, entitlements, pensions and stipends. They could be used to purchase goods in short supply. Otherwise, said the deputy, none of our measures to saturate the market with imported or domestic goods would benefit honest workers, poor families and retirees. Such goods would be bought by dealers of the shadow economy, who are holding enormous sums of money such as the mere mortals have never even dreamt of. A convertible ruble would also facilitate transactions with foreign partners.

O. Latsis, a member of the USSR People's Control Committee and doctor of economic sciences, thought that in the current extraordinary situation we should return to a rationing system. Locally, it has already



emerged, in the form of selling goods upon presentation of internal passports, various coupons, or selling at enterprises. This system is not entirely equitable. Residents of republic capitals and those who work for more influential enterprises and agencies have a clear advantage. According to data collected several years ago, families with per capita incomes below R50 paid R4 a kilo for their meat, whereas those with per capita incomes of R125 or more paid the state price of R2. In other words, a centralized rationing system would benefit primarily the poorest members of society.

Other concrete proposals have been expressed as well.

Both I. Gorbachev and V. Kulikov, Chairman of the USSR People's Control Committee, mentioned many examples how enterprises are trying to jack up prices for their output. Many speakers declared that this is the result of our group selfishness.

Of course we should fight selfishness and justice must triumph. But the meeting did not mention another issue. We ourselves have created this group selfishness. The problem is not only the fact that enterprises have been too ready and too hasty to make use of their newly acquired rights. Let us recall the remainder principle.

For many decades, light industry has been at the lowest rung of the priority scale, getting only leftovers from profits; now it is taking its revenge.

One hopes that it is a temporary phenomenon. But only if the state and the planning agencies would not encourage light industry. Data on the enormous difference between output growth expressed in rubles and in units of output was mentioned at the meeting. Why do enterprises act this way? For this, the state plan, or state orders, are to blame. For instance, the Moscow complex "Zhenskaya Moda" has a plan to raise production 2.2 times in ruble terms and only 25 percent in units. (Incidentally, the draft state plan for 1990, recently submitted to the USSR Supreme Soviet, reinforces this trend.) Unfortunately, no one aside from deputy S. Gurenko paid much attention to this form of profit-squeezing by the state.

In their joint resolution, the commission and the People's Control Committee decided to support the demand of the All-Union Central Council of Trade Unions to stabilize prices and saturate markets with goods. But the search for actual solutions to this problem goes on; responsible decisions must be made, and made very soon.

## FUELS

### Kuznetskugol 'Concern' Created

18280002 Moscow SOVETSKAYA ROSSIYA in Russian 23 Dec 89 Second Edition p 1

[Article by V. Khristenko: "A Concern Has Been Created"]

[Text] Novokuznetsk—One of the main points of the protocol agreed upon between the Kuzbass strike committees and the government commission was their demand for the economic independence of the coal enterprises.

At the recent founding conference of the representatives of the Yuzhkuzbassugol and Prokopyevskidrougol associations' labor collectives the Kuznetskugol concern was created.

Each enterprise has complete economic independence. The concern plays an organizational role in coordinating scientific-technical and commercial activities and in fully resolving socioeconomic issues for the labor collectives.

### First Half 1989 Ukrainian Coal Production Figures

904E0022A Kiev UGOL UKRAINY in Russian No 10 Oct 89 pp 45-47

[Report: "UkSSR Coal Industry in the First Half of 1989"]

[Text] In the first six months of 1989 the miners of the Ukraine extracted 96.69 million tons of coal, including 2.47 million tons above the plan. Most of the production associations fulfilled the plan for coal extraction (Table 1). Only three associations in Voroshilovgrad Oblast (Lisichanskugol, Pervomayskugol, Sverdlovatratsit) and one in Donetsk Oblast (Shakhterskugol) failed to cope with the plan. In comparing the extraction for the first half of 1988 with that of the first half of 1989, however, the reduction in the coal extraction level in virtually all the associations cannot help but be noted. For the period under discussion its level on the whole for the UkSSR dropped by 2%. This was caused not only by the deterioration in the mining-geological conditions due to the gradual intensification of mining operations, by the need to extract from thin beds and by various organizational shortcomings, but also by the fact that in the republic the volumes of renovation and updating the working mines with an increase in the production capacities were negligible, and a number of mines, which had mainly exhausted their coal reserves in productive beds, were forced to extract from balance reserves, in order to maintain the capacities.

Table 1

Production associations	Extraction of all coal			
	Plan, in 1000 t	Actual, in 1000 t	% of plan	% of 1st half 1988
Donetsk Oblast	45990	47370	103.0	97.3
Donetskugol	10475	10860	103.7	102.4
Makeyevugol	6530	6548	100.3	96.8
Krasnoarmeyskugol	4685	5102	108.9	96.1
Selidovugol	2700	2947	109.1	98.0
Dobropolyeugol	3685	3749	101.7	94.5
Artemugol	3340	3444	103.1	98.2
Dzerzhinskugol	1545	1577	102.1	99.7
Ordzhonikidzeugol	2545	2613	102.7	97.5
Shakhterskugol	6015	5994	99.7	94.6
Torezanratsit	4470	4536	101.5	91.9
Voroshilovgrad Oblast	30250	30267	100.1	97.7
Voroshilovgradugol	4640	4685	101.0	96.0
Stakhanovugol	3355	3356	100.0	96.5
Pervomayskugol	2070	1964	94.9	93.3
Lisichanskugol	1775	1735	97.7	95.6
Krasnodonugol	4060	4079	100.5	99.8
Donbassanratsit	3885	3924	101.0	99.2
Anratsit	2150	2185	101.6	104.4
Rovenkianratsit	3915	3966	101.3	97.6
Sverdlovatratsit	4400	4373	99.4	96.9

Table 1 (Continued)

Production associations	Extraction of all coal			
	Plan, in 1000 t	Actual, in 1000 t	% of plan	% of 1st half 1988
Pavlogradugol	6850	7583	110.7	106.8
Ukrzapidugol	6390	6659	104.2	95.2
Aleksandriyugol	4745	4812	101.4	99.6
For the USSR	94225	96691	102.6	98.0

The coal loading plan was not fulfilled in the first six months. Because of irregular supply of rolling stock to the consumers and moreover, in an insufficient amount, 1.09 million tons of coal were not shipped, and the balance of coal in the warehouses considerably exceeds the norms. For example, at the warehouses of the mines in Donetsk Oblast, 3.55 million tons of coal piled up, with a norm of 2 million tons, at the mines of Voroshilovgrad Oblast, 4.17 million tons, with a norm of 1.8 million tons, and at the Aleksandriyugol Association, 1.22 million tons, with a norm of 0.15 million tons. Prolonged storage in warehouses causes a deterioration in the quality of the coal, and the consumers cannot obtain it on time.

Some 93.51 million tons of coal, or 102.6% of the plan, were extracted by the underground method in the first half of 1989, and 97.7% of the level of the comparative

period (first half of 1988), and by the open method—3.19 million tons, or respectively 104.3 and 109.1%. Some 1.44 million tons of coal, or 94.3 and 93.4%, were extracted by the hydraulic method.

The ash content of the coals extracted and shipped was within the limit of the norms (respectively 29.4 and 18.3%) and did not exceed the level of the ash content in the first half of 1988.

Coking coal extraction in the first half of 1989 was 39.07 million tons (Table 2). The extraction plan was 105% fulfilled, but its level was 2.1% lower than in the first half of 1988. Three associations in Voroshilovgrad Oblast (Voroshilovgradugol, Pervomayskugol, Stakhanovugol) failed to cope with the coking coal extraction plan. The Pavlogradugol Association substantially increased coking coal extraction.

Table 2

Production associations	Coking coal extraction			
	Plan, in 1000 t	Actual, in 1000 t	% of plan	% of 1st half 1988
Donetsk Oblast	26808	28352	105.8	97.3
Donetskugol	7894	8434	106.8	101.6
Makeyevugol	6190	6280	101.5	98.3
Krasnoarmeyskugol	4501	4855	107.9	95.8
Selidovugol	—	—	—	—
Dobropolyeugol	2645	2978	112.6	85.2
Artemugol	3025	3154	104.3	98.4
Dzerzhinskugol	1545	1577	102.1	99.6
Ordzhonikidzeugol	805	866	107.6	98.9
Shakhterskugol	203	208	102.5	101.5
Torezantratsit	—	—	—	—
Voroshilovgrad Oblast	6720	6570	97.8	93.2
Voroshilovgradugol	195	176	90.3	85.4
Stakhanovugol	1637	1622	99.1	83.7
Pervomayskugol	908	760	83.7	83.4
Lisichanskugol	—	—	—	—
Krasnodonugol	3980	4012	100.8	100.4
Donbassantratsit	—	—	—	—
Antratsit	—	—	—	—
Rovenkiantratsit	—	—	—	—

Table 2 (Continued)

Production associations	Coking coal extraction			
	Plan, in 1000 t	Actual, in 1000 t	% of plan	% of 1st half 1988
Sverdlovantratsit	—	—	—	—
Pavlogradugol	900	1071	119.0	183.4
Ukrzapadugol	2780	3082	110.9	98.3
Aleksandriyugol	—	—	—	—
For the UkSSR	37208	39074	105.0	97.9

In the first half, there were 1529 stopings functioning in the UkSSR coal industry, which is 31 less than planned (Table 3). The average working line of stopings was 4.04 km lower than the plan, and their average monthly face advance was 1.4 m lower. In the first half of 1989 the

average daily load for the stopping was 334 tons, as against 358 tons according to the plan and 346 tons in the period being compared. Coal extraction from a square meter of undercut area of the bed was 1.78 tons with a plan of 1.66 tons.

Table 3

Production associations	Number of working stopings	Average monthly face advance, m	Average working line of stopings, m	Average daily load on working stopings, t
Donetsk Oblast	894	32.6	136028	284
Donetskugol	188	30.6	33140	326
Makeyevugol	126	27.1	21382	271
Krasnoarmeyskugol	37	58.5	6715	797
Selidovugol	34	52.9	5696	473
Dobropolyeugol	31	67.4	4961	730
Artemugol	138	27.3	15242	133
Dzerzhinskugol	68	22.9	8060	118
Ordzhonikidzeugol	109	27.2	12123	126
Shakhterskugol	87	30.7	17063	355
Torezantratsit	76	30.0	11646	302
Voroshilovgrad Oblast	461	32.4	75696	356
Voroshilovgradugol	68	37.9	10717	372
Stakhanovugol	99	21.7	16103	180
Pervomayskugol	40	23.2	7235	268
Lisichanskugol	22	38.6	3389	445
Krasnodonugol	55	39.3	8343	393
Donbassantratsit	64	28.9	10563	353
Antratsit	34	27.5	5308	393
Rovenkiantratsit	43	39.1	7667	512
Sverdlovantratsit	37	49.8	6371	592
Pavlogradugol	71	68.8	11059	618
Ukrzapadugol	87	48.4	11120	495
Aleksandriyugol	16	50.9	1160	666
For the UkSSR	1529	35.1	235063	334

In the first half, new equipment continued to arrive at the mines—mechanized complete sets with a higher technical level, means of transport, means of automation, signalization and communications, etc. In both the

quantitative and the qualitative respect, however, mining-shaft equipment is not yet satisfying the demands of the consumers. The situation is particularly bad with the supply of spare parts to replace rapidly wearing parts and



assemblies for stoping and drifting combines and sets, scraper conveyors and muckers, which has caused considerable loss of work time. There were 650 working, completely mechanized faces (KMZ) in the mines of the Ukraine in the first half of 1989. Their distribution among production associations is shown in Table 4. The average working KMZ line was 99.04 km, which is 3.95 km less than planned. The average daily load reached 548 tons, or 107.9% of the plan. Coal extraction in the

first half of 1989 for all the working KMZ was 59.12 million tons of coal, with the plan 57.34 million tons (99.5% of the level of the first half of 1988). The relative proportion of extraction from completely mechanized faces was 67.4%, which is 1.3% more than the plan and 1.5% of the level of the period being compared. This was achieved mainly through the introduction and the more efficient use of a new generation of mechanized sets—1KM-103, KMT, KM-88.

Table 4

Production association	Number of working KMZ	Average working line of KMZ, m	Average daily load on KMZ, t
Donetsk Oblast	318	49171	494
Donetskugol	70	13625	551
Makeyevugol	32	6027	558
Krasnoarmeyskugol	31	5918	921
Selidovugol	22	3034	524
Dobropolyeugol	26	4004	781
Artemugol	38	1881	155
Dzerzhinskugol	9	709	124
Ordzhonikidzeugol	19	1046	141
Shakhterskugol	32	6346	535
Torezantratsit	39	6581	422
Voroshilovgrad Oblast	187	30329	576
Voroshilovgradugol	31	4541	516
Stakhanovugol	11	1860	318
Pervomayskugol	4	653	610
Lisichanskugol	13	1965	636
Krasnodonugol	26	4377	666
Donbassantratsit	34	5505	481
Antratsit	13	1762	604
Rovenkiantratsit	20	3498	692
Sverdlovantratsit	35	6168	619
Pavlogradugol	64	10696	664
Ukrzapadugol	65	8289	616
Aleksandriyugol	16	1160	666
For the UkSSR	650	99045	548

Particular attention was paid at the mines of the Ukraine to fulfilling the heading program, for prompt preparation of the stoping front. In the first half of 1989 the drifting

plan for all headings, including by economic and contracting methods, was 104.6% fulfilled, including that for stripping and developing—102.4% (Table 5).

Table 5

Production association	Development heading carried out (econ. and contract. methods)					
	Total			Stripping and developing		
	Plan, km	Actual, km	% of plan	Plan, km	Actual, km	% of plan
Donetsk Oblast	682.9	717.9	105.1	521.8	533.9	102.3
Donetskugol	137.0	136.0	99.3	110.9	109.5	98.8
Makeyevugol	95.2	99.9	104.9	73.4	75.9	103.4

Table 5 (Continued)

Production association	Development heading carried out (econ. and contract methods)					
	Total			Stripping and developing		
	Plan, km	Actual, km	% of plan	Plan, km	Actual, km	% of plan
Krasnoarmeyskugol	42.7	44.9	105.0	39.5	42.4	107.4
Selidovugol	45.2	44.2	97.9	39.7	40.2	101.4
Dobropolyeugol	65.1	66.9	102.7	46.1	46.7	101.3
Artemugol	73.9	78.2	105.9	53.4	54.6	102.2
Dzerzhinskugol	39.6	44.3	111.9	26.1	26.7	102.3
Ordzhonikidzeugol	50.8	58.5	115.2	37.3	39.6	106.2
Shakhterskugol	76.2	78.9	103.6	56.3	57.1	101.5
Torezantratsit	57.2	66.1	115.5	39.2	41.2	105.1
Voroshilovgrad Oblast	420.5	433.2	103.0	315.0	318.9	101.3
Voroshilovgradugol	66.5	68.1	102.3	52.2	53.3	102.1
Stakhanovugol	70.8	76.0	107.3	51.5	53.2	103.5
Pervomayskugol	38.6	38.8	100.5	29.2	29.3	100.3
Lisichanskugol	29.2	26.3	90.2	26.9	24.4	90.7
Krasnodonugol	52.6	54.8	104.1	43.7	45.1	103.1
Donbassantratsit	47.5	49.8	104.8	29.1	29.7	102.0
Antratsit	23.7	26.4	111.6	18.1	18.7	103.4
Rovenkiantratsit	44.5	44.4	99.8	28.3	28.3	100.0
Sverdlovantratsit	47.2	48.7	103.2	36.1	37.0	102.5
Pavlogradugol	76.7	83.2	108.5	72.2	77.9	108.0
Ukrzapidugol	63.8	68.5	107.4	57.1	59.7	104.6
Aleksandriyugol	17.4	16.0	92.1	16.0	14.9	93.1
For the USSR	1261.3	1318.9	104.6	982.0	1005.4	102.4

The relative proportion of developing headings carried out with mechanized loading of the coal and rock (allowing for the heading adopted where loading is required), was 82%, i.e., it increased by 3.3% during the period

under discussion (Table 6). At the same time, lagging behind is observed with respect to introduction and efficient use of drifting combines: the level of combine drifting dropped by 0.8% and was 33.5%.

Table 6

Production associations	Relative proportion of headings drifted with mechanized coal and rock loading, %			
	Total		With combines	
	First half of 1988	First half of 1989	First half of 1988	First half of 1989
Donetsk Oblast	84.6	83.4	35.6	32.9
Donetskugol	87.8	84.4	38.0	35.5
Makeyevugol	78.5	74.0	36.7	30.8
Krasnoarmeyskugol	98.1	96.6	80.0	78.0
Selidovugol	82.4	84.6	47.2	49.8
Dobropolyeugol	97.5	97.9	79.0	79.7
Artemugol	100.0	100.0	2.5	1.8
Dzerzhinskugol	99.7	99.6	1.0	1.7
Ordzhonikidzeugol	93.2	91.7	—	—
Shakhterskugol	61.8	64.5	27.6	25.3
Torezantratsit	65.1	65.8	5.4	4.2

Table 6 (Continued)

Production associations	Relative proportion of headings drifted with mechanized coal and rock loading, %			
	Total		With combines	
	First half of 1988	First half of 1989	First half of 1988	First half of 1989
Voroshilovgrad Oblast	77.1	76.2	14.7	14.2
Voroshilovgradugol	84.3	83.0	23.6	21.8
Stakhanovugol	80.5	80.4	5.6	4.3
Pervomayskugol	71.1	74.5	16.6	18.0
Lisichanskugol	85.1	87.5	41.6	40.7
Krasnodonugol	89.6	88.0	28.9	28.3
Donbassantratsit	81.0	84.4	5.5	9.2
Antratsit	64.6	60.6	3.7	8.5
Rovenkiantratsit	56.8	52.4	8.4	6.8
Sverdlovantratsit	72.3	69.1	2.8	1.4
Pavlogradugol	97.3	97.8	95.8	97.1
Ukrzapidugol	8.6	86.0	68.1	69.3
Aleksandriyugol	78.7	76.8	75.8	76.6
For the UkSSR	78.7	82.0	34.7	33.5

Table 7 shows the volumes of coal processing at the enriching mills of the UkSSR coal industry. In the first half, 73.9 million tons of coal were processed, and 45.4 million tons of concentrate were obtained. Despite the development

of the planned indicators, it must be noted that the processing volume dropped by 1.9% and the output of coarse and middle-size grades—by 0.5% (including anthracites—by 3.2%). Briquet production rose by 5.7%.

Table 7

Indicators	Coal enrichment			
	Plan, in 1000 t	Actual, in 1000 t	% of plan	% of first half of 1988
Processing coal at enriching mills	72190	73898	102.4	98.1
Incl. for coking	28634	29356	102.5	96.8
Output of concentrate	43833	45443	103.7	98.5
Incl. for coking	18097	18619	102.9	97.0
Output of coarse and middle-size grades of coal	11132	11509	103.4	99.5
Incl. anthracites	7430	7439	100.1	96.8
Coal processing on mechanized rock-sampling units	6168	6160	99.9	98.5
Coal briquet production	2075	2144	103.3	105.7

In the first half of 1989 the republic's coal industry was working under cost accounting. The transition to the new conditions of economic activity and the introduction of contracting and lease relations contributed to an increase

in the efficiency of coal extraction. The output of commercial product per worker rose by 4.5% as against the plan, and by 2.3% as against the level for the first half of 1988 (Table 8).

Table 8

Production associations	Output of commercial product per worker			
	Plan, rub.	Actual, rub.	% of plan	% of 1st half 1988
Donetsk Oblast	3671	3860	105.1	101.4
Donetskugol	1777	1881	105.9	108.9
Makeyevugol	1771	1816	102.5	101.1

Table 8 (Continued)

Production associations	Output of commercial product per worker			
	Plan, rub.	Actual, rub.	% of plan	% of 1st half 1988
Krasnoarmeyskugol	3175	3344	105.3	96.6
Selidovugol	2025	2158	106.6	96.2
Dobropolyeugol	3035	3238	106.7	98.2
Artemugol	1629	1713	105.2	101.8
Dzerzhinskugol	1392	1465	105.2	103.9
Ordzhonikidzeugol	1470	1513	102.9	100.0
Shakhterskugol	2624	2653	101.1	97.9
Toreznanratsit	3634	3761	103.5	98.4
Voroshilovgrad Oblast	4736	4862	102.7	101.1
Voroshilovgradugol	1987	2035	102.4	99.1
Stakhanovugol	1379	1432	103.8	101.9
Pervomayskugol	2967	3093	104.2	100.3
Lisichanskugol	2377	2366	99.5	97.1
Krasnodonugol	2372	2476	104.4	103.5
Donbassanratsit	2335	2397	102.7	102.3
Anratsit	2299	2398	104.3	106.4
Rovenkianratsit	3525	3649	103.5	100.7
Sverdlovanratsit	3280	3322	101.3	99.3
Pavlogradugol	4573	5116	111.9	109.5
Ukrzapidugol	6324	6761	106.9	101.9
Aleksandriyugol	7155	7598	106.9	105.0
For the UkSSR	4472	4673	104.5	102.3

The average recorded number of industrial-production personnel in the first half of 1989 was 10,170 persons fewer than in the plan, and 20,620 persons fewer than the level of the period being compared.

In January-May 1989 the cost of a ton of coal was 26.62 rubles—24 kopecks less than that specified by the plan. As a result, during this period the profit plan for

Voroshilovgrad was 13.54 million rubles. The lowest level of the cost of a ton of coal was achieved in the Krasnoarmeyskugol Association—20.16 rubles. It was the first in the Donbass to begin work under the new conditions of economic activity.

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**Estimated Strike Losses in 1989 Noted***18280001 Moscow TRUD in Russian 1 Jan 90 p 2*

[Unattributed article: "'Expensive' Strikes"]

[Text] *What did the strikes cost us? (Ye. Karavayev, Novogorod)*

With this unhappy question we turned to the USSR State Statistical Committee.

From January to November of last year there were strikes at 1,500 enterprises of the country with the participation of 14 million people. Moreover, on a daily basis an average of 30,000 people did not work.

Uncompleted work and unreceived products totalled R0.8 billion, and 7.5 million man-days were lost. On the whole, strike losses totalled R2 billion.

At the Ministry of the Coal Industry, we were additionally informed that this year 621 of the sector's enterprises and 388 open-pit mines were on strike. A total of 1,897 million people did not report to work. Losses of output comprised 7.6 million tons, commodity output—R295 million, and profits—R205 million. Budget revenues were R60.4 million less and coal export suffered losses of 1.1 million tons.

**Specialists Discuss Unemployment Problems, Possible Solutions****Imbalance Between Jobs Wanted, Work Needed***904F00284 Tbilisi ZARYA VOSTOKA in Russian 28 Oct 89 p 2*

[Article by Vasily Zilinskiy, head of the Administration for Labor Resources and Cadre Training, Georgian SSR Goskomtrud [State Committee for Labor and Social Problems]: "Unemployment: Reality and Forecast—In 5 Years the Unemployment Rate in the Republic Could Reach 5 Percent. A Program of Preventative Measures is Needed"]

[Text] **Do we have unemployment?** No, according to data from Goskomstat [State Committee for Statistics]. There is no unemployment, but there are individuals occupied with housework and personal subsidiary operations. During the past 4 years in Tbilisi their number has increased by 1,500. Today in the capital alone more than 50,000 working age persons are hidden behind this statistical entry. Let us examine it.

If, from the total number of nonworking persons we subtract women with children under 18 months old, or with 4 and more children, and the number of youths 18 to 19 years old in the Army, then we still have 20,000 persons who could be employed in public production. This group includes specialists with higher education who have been waiting years for work and skilled workers on the lists at the Tbilisi Center for Job Placement, Retraining and Professional Reorientation. Also,

if somebody is sent out to a job and refuses it, then they hurry to take him off the list of unemployed and classify him as a "parasite." This practice is influenced by a theoretical position: socialism automatically assures full employment; the very fact of the existence of socialism excludes unemployment.

True, socialism really eliminates classical unemployment in the form described by Marx, that is, the general surplus of supply over demand in the labor market. The problem is that such classical unemployment in the form described by Marx does not exist anywhere in the world. In the United States, for example, there are 7 million unemployed and 11 million vacant jobs. The scourge of the modern economy is no longer absolute unemployment, where it is impossible to find any work, but structural unemployment. Its characteristic is a gap between workers' skills and the work available. It is naive to think that the social order can save us from such unemployment. Systematic, well thought out and bold work is needed to help correct existing disproportions. It must also be immediately admitted that such imbalances will arise in the future. The economy is developing and there are changes in its structure, technological processes and infrastructure. These changes are sharper and more rapid in the present reform. This makes it necessary to pay special attention to labor resources, not leaving things to run on their own. If not, perestroika will be hindered not by the command system of management, but by workers with low, insufficient or unsuitable skills. There are examples of this today, and they are cause for concern. Practically everywhere there are shortages of highly skilled workers to use the most modern equipment. Among those seeking work are auxiliary workers, controllers and assembly line workers.

However, structural unemployment is not always caused by skill requirements. Today there are 470 vacancies for urban transportation drivers. Also, many people want to be taxi drivers. When we offer them work in urban transportation, they categorically refuse. Why? They are not satisfied by working conditions, wages and the impossibility of acquiring a registered vehicle.

The situation in light industry is another classical example. There are 3,000 vacancies in the sector; practically every factory needs sewing machine operators, weavers and knitting machine operators. Most of the unemployed are women. However, their pay is low and work is on the second shift. Eight people were sent to the Isani Production Association, but only one was hired. Previously there was an easy solution to this problem—the main enticement was a Tbilisi identity card, the charm of which covered all inconveniences. Under the new conditions the ministry could not formulate a new policy for attracting labor resources. Another situation well known to readers is specialists' "line" for work. There are 1,200 persons registered for teachers' jobs. In the last 3 years their number has declined fourfold. However, this is not as a result of placement in their speciality, but due to certification. Three thousand five

hundred people have been forbidden to engage in pedagogic activity. This means state expenses for their training must be written off as a loss.

About 500 doctors are registered at the Tbilisi City Health Administration. The number on the list has more than doubled since 1985. About 400 musicians and cultural education workers are registered at the Culture Department of the Tbilisi Gorispolkom. Of the 700 registered at the city job placement center, 400 have higher educations. These specialists are very much needed in the countryside. It is an old problem; it did not arise recently. There are still no solutions within the framework of existing approaches.

To prevent such disproportions from arising in the future there must be a sober forecast, free from dogmatic prejudices.

What awaits us tomorrow in the sphere of employment, and what are the prospects for the labor market? According to our calculations, up to 60,000 persons will be released from material production in the republic during the next 5 years. The new system for paying labor provides incentives for releasing workers. Where previously 10 workers were occupied, they are now trying to get by with 3. Today we can correctly say that up to 100,000 persons in the republic are unemployed. As our employable population is about 3 million, we can predict 5 percent unemployment. This is not high. In recent years in the United States unemployment has ranged from 7 to 11 percent of the employable population. However, it must be taken into account that our economy's dependence upon direct labor is double that of developed countries. The negative effect from unemployment can be higher here. Every effort must be exerted to reduce unemployment as much as possible.

The first path, which is usually proposed as the main one, is to shift people to the service sphere. Is this realistic? There is reason to assume that it is not. Today there is fierce competition in the service sphere. True, this is not for customers, but for resources: spare parts for television sets, for food products in the food service system and construction materials for major repairs. There are not enough resources even for those who are already professionally occupied in services and who have a good supply system. Could newcomers succeed here? Hardly.

The second path is to create the possibilities for developing the cooperative movement. It is thought that cooperatives could absorb at least some of the excess supply on the labor market. However, a recent decree by the country's Supreme Soviet has practically closed this possibility. Cooperatives are put in a position where they can increase their wage fund only by reducing the number of workers.

Obviously, neither services nor cooperatives can solve the problem. What is needed is a complete state program to create jobs and expand employment. Such a program is now being developed. Its main features are balance

between jobs and labor resources and a system for redistributing labor resources. The main danger to this program is a possible lack of material and financial resources.

Why have so many socially necessary programs not found sufficient material support and vanished into thin air? First of all because they have not been backed by legislation. This makes it possible for planning and supply organs to use any pretext not to implement them. For the declared state employment policy to have a solid foundation it must have legislative backing. Only a "Law on Employment in the Georgian SSR" can provide such backing. Such a law would be a reliable guarantee from hidden growth in unemployment. It would also provide social guarantees to those who have lost their jobs. There are still no such guarantees, in spite of constitutional rights.

We will give one example. There has repeatedly been talk about how, in domestic legislation, we strive to adhere to international standards. However, we recently established up to 14 weeks of unemployment benefits, even though the Convention on Employment Assistance and Protection Against Unemployment approved by the International Labor Office recommends at least 26 weeks. It is advisable to create an employment fund at the republic level. It would receive resources to help the unemployed and temporarily jobless.

#### Goskomtrud Official Interviewed

904F0028B Moscow ARGUMENTY I FAKTY in Russian No 45, 11-17 Oct 89 pp 4-5

[Interview with Ye. Afanasyev, deputy head, Administration for Labor Resources and Employment, USSR Goskomtrud, by T. Tsyba: "In the First Half of the Year There Were 1.5 Million Vacancies in the Country—Without Work in a Sea of Work"]

[Text]

[T. Tsyba] Yevgeniy Aleksevich, we have no official status of "unemployed." Many think that it is time to introduce it, as thousands of people are lining up for assistance. Are we going to do this?

[Ye. Afanasyev] According to the definition of the International Labor Office (ILO), classical unemployment is when a person wants to work and can work, but cannot find a job. True, many countries make their own corrections in this definition. For example, one socialist country has made this correction: a person cannot be counted among the unemployed if there are no jobs within a 1.5-hour bus trip. In other words, it is not stipulated that work should be provided to a person directly where he lives. In the United States it is not considered unusual to travel more than 100 kilometers to work. If we introduce the category, unemployed, it will have to be relative to our conditions and living standards. It is necessary to give consideration to our huge territory, the availability of transportation, road

conditions, etc. Today we are guided by the concept of temporary unemployment. We will talk more about it later.

It is linked mainly with perestroika, the redistribution of labor power, the introduction of new methods of management and the need for retraining. It is now standard to define temporary unemployment as unemployment for up to 3 months. Those released are paid their average wage or assistance, call it what you will. Probably this procedure will continue in the future, although possibly the time will be increased to 6 months.

[T. Tsyba] What if the person cannot find a job in that time?

[Ye. Afanasyev] So that this does not happen it is necessary to constantly regulate the equilibrium between supply and demand.

[T. Tsyba] Supply and demand are possible only if there is a perfect labor market, and this we do not have. We do not consider labor power a commodity. How will it be regulated, and by whom? By a public job placement system?

[Ye. Afanasyev] We will have to think about many things to create an effective mechanism for the labor market. For example, in Finland the labor market is regulated by consultative commissions. We are completing work on a draft program for employment in which this mechanism will be proposed. This function is now performed by the general state job placement system.

We have 812 job placement centers and more than 2,000 offices or affiliates. However, the workers at these centers and offices do not create jobs.

A single industrial job costs about 30,000 rubles. The most modest estimates show that it costs about 1 billion rubles to find jobs for 50,000 people. Therefore, job placement officials are mistaken when they think that this problem will be solved in regions where there are no jobs.

I personally see the solution in economic reform, regional cost accounting and self-financing.

[T. Tsyba] In Moscow there are about 112,000 vacancies for workers and more than 14,000 empty positions for specialists and employees. At the same time, many are without work in this sea of vacancies.

[Ye. Afanasyev] According to job placement organs, in the first half of the year there were 1.5 million job vacancies in the country. The available jobs have skill and education requirements. Our employment service is inefficient, in that it does not have a good retraining system.

[T. Tsyba] Enterprises and agencies are now being reorganized in connection with the transition to cost accounting. Some of them are being eliminated. How is this affecting people?

[Ye. Afanasyev] The number employed in material production sectors has been reduced by almost 1 million, while in the nonproductive sphere employment has increased by 300,000.

It must be kept in mind that each of us can be "released." For example, the reduction in capital investments will mean sharp reductions in the capacity of construction organizations. This will have an effect upon people, for construction has been a gigantic consumer of labor power.

[T. Tsyba] That is, there will soon be a huge reserve of free hands, while at the same time we are bringing in foreign workers.

[Ye. Afanasyev] True, Chinese and Vietnamese are now working in the Far East. More than 100,000 foreigners are working in the country.

Of course, this increases the job shortage. Why then do we invite them? For example, 100 foreign workers come here for 6 months to "start up" a brick plant. There will be a plant, there will be bricks, construction will expand and it may be possible to give our people work.

Enterprises are now independently going to foreign markets. If they have to complete a project on time, they will obtain a license and bring in foreigners. Nobody controls their dealings with them. Often they are paid in goods, timber, caviar, machinery and equipment.

Theoretically, they are new competitors on the labor market, but in actuality this is not so, as our workers will not travel so far to work in such remote places, even for big money.

[T. Tsyba] In this case, shouldn't our workers have the possibility of travelling abroad to work?

[Ye. Afanasyev] We need normative acts for the export of labor power. We want to introduce these questions in the Law on Employment. This will prevent situations similar to what happened to the Estonians who went to work in Finland. Their pay was much lower than that of local workers. This created a difficult situation. There should be social protection for our citizens.

[T. Tsyba] There are many women among the unemployed, especially in Central Asia: in Tajikistan—94 percent, Turkmenia—98 percent and in Kirgizia an absolute majority. Is it necessary to bring them into productive work? After all, these are usually mothers of several children.

[Ye. Afanasyev] I do not think that we should consider as reserve labor power mothers who are raising children. They are performing an important social function.

[T. Tsyba] In Central Asia, 3 million people could work in production under specific conditions. In the first half of 1989, only 200,000 obtained work. Where is the solution?

[Ye. Afanasyev] Central Asia is a special region, it has many nuances and traditions, and the population is growing very rapidly.

The agroindustrial complex is faced with the question of getting these republics out of monoculture. Furthermore, it is necessary to build branches of industrial enterprises, for example those processing agricultural products, in the villages. There should be active use of flexible forms of employment: work at home, and part time work.

The committee proposed special measures for economic incentives: There is almost no pay (for labor resources) for those working according to flexible forms of labor. Enterprises are on cost accounting; they try to be profitable, but we propose that they hire youth, women with children and people on parole. Most enterprises are able to provide resources to local soviets so that they can create kombinats for people working at home, specialized enterprises, and production schools at associations of the Chayka type in Moscow.

I think that local soviets should make it possible for enterprises to improve their profitability, freeing them from concern about hiring adolescents and women.

**Average Balance of Labor Resources in USSR in 1988**

Category	Millions of Persons
Working age population*	159
Non-working invalids (groups I and II), and working age pensioners	3.7
Working age employable population	155.3
Individuals older than working age and adolescents working in the national economy	8.3
—Including:	
—Old people	7.9
—Adolescents	0.3
Labor resources	163.6
Occupied in national economy	138.5
Including:	
State and public enterprises and organizations	121.8
In publicly owned operations at kolkhozes	11.6
In cooperatives, in production and service spheres	0.7
In the individual labor sphere	0.2
In private subsidiary operations	4.0
Working age students not working while studying	11.7
Officials of religious cults	0.6
Employable population of working age occupied in house work and other activities	13.3

\*Males age 16 to 59 years; Females age 16 to 54 years.



## ORGANIZATION, PLANNING, MANAGEMENT

### Military Technology, Equipment Destined for Market

904G0013A Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 12 Dec 89 p 2

[Report by Ye. Chernova: "The Army and the Market"]

[Text] The first display-sale of military equipment was held in Moscow's Sokolniki Park in the first week of December. Machinery and instruments which are being removed as arms in connection with the conversion were displayed for sale by the missile forces.

Strictly speaking, military units transferred equipment that had been written off to the national economy previously as well. Even though there was some kind of efficient device that had been fixed, it was nothing special. Military equipment, and even individual equipment, is really being marketed right now. One more military fair has been opened at the VDNKh [Exhibition of Achievements of the National Economy] in Moscow.

This process is probably making every person in the country happy. But our newspaper has a particular reason for being proud. On 13 April this year, in the article "The Economics of Disarmament," O. Mamalyga, a Moscow designer and winner of the USSR State Prize, advanced this thesis for the first time in the Soviet press: we must not destroy the missiles, we must release them for the people. Since then, the concept of the economics of disarmament has been added to the armory, so to speak, of journalists and scientists.

But we do not intend to gratify our own pride, of course. For us, as for O. Mamalyga, who became one of the organizers of this display, the main point is that the idea has prevailed: the people's money and the people's labor invested in the Army should serve the national economy.

What has the display given us in this sense? Well, first of all, it has been a commercial success in itself. Most of the more than 1,000 samples that were displayed for sale were sold for a total of more than 2 million rubles. The customers are satisfied. The wealthiest one—as he was introduced to me—was Yu. Dolbanov, deputy chief of a department of the "Soyuztransenergo" PO [Production Association], who wrote an order for 300,000 rubles. He said that his association is delivering power engineering equipment to remote areas where there are no power stations. They usually ship such equipment by air, and less frequently by rail. But one time, Yu. Dolbanov said, they had to haul the power plant for a walking excavator. The work of specialists in this association would have been so much simpler if they had had the chassis of the "MAZ-547V," the most powerful means of transport

which formerly carried the famous intermediate-range missiles. Now the power workers will receive this vehicle.

In general, the demand for different kinds of prime movers, power plants, and electrical equipment has been unexpectedly high. Industrial enterprises have been buying all this, but representatives of agroproms—Ukrainian and Latvian—have been buying as well. They were attracted primarily by the quality of the items—they had all gone through military acceptance. Prices at the display were floating; they were reduced (<sup>1</sup>), but they would also be raised depending on the demand.

Very often a customer would not find the commodity he needed. In that case, he was invited to place an order. After all, disarmament is a long-term process. And during the course of it the equipment needed for the customer will be released. Then the order will be filled. Here we have come to the important point. One of the display's organizers—the Commercial-Production Center of the "Vantkhop" All-Union Association of Scientific and Technical Cooperative and Cost Accounting Organizations—undertook to be the intermediary between the Army and the national economy. As representatives of the Ministry of Defense advising the exhibition stated, the Army has always had commodities for sale to the national economy, and there is a huge quantity of these goods. But the military naturally have not been engaged in marketing, they have not studied the demand, and they have not known the consumer and his requirements. For this reason, the transfer of equipment has also been incidental and limited in nature, all in all.

Now there is an opportunity to put all this on a reliable market basis. The commercial center of the "Vantkhop" has already begun studying the orders placed. Later it will obtain information in military units, and after finding out about the equipment being released, it will fill the orders. A true picture of the market for military equipment will appear this way.

"Vantkhop" plans to hold such displays regularly. And not only in Moscow. Calls have been pouring into the center already from the Far East and other remote areas because the customers simply were unable to come. This means the exhibit should be sent to them and vast new markets should be opened up. There is also one more commercial plus which cannot be disregarded: 40 percent of the receipts from the machinery sold will go into the Ministry of Defense budget. This money will not be spent to produce new weapons, but to build housing for demobilized warrant officers and officers and for their other social needs.

An auction was held at the exhibition on Saturday. Interesting lots were offered at it—a "GAZ-66" [Gorkiy Automotive Plant vehicle] and electrical engineering equipment. The point is that this equipment has become scarce. Demand is too high. And this means that those who can afford it will be able to buy a vehicle. There are no funds or limits for you. Well, a market is a market.

The exhibition closed Sunday. But as we already know, the next one is not far off.

## CIVIL AVIATION

### Aeroflot Seeks Western Aircraft

904H0069A Moscow VOZDUSHNYY TRANSPORT in Russian 21 Oct 89 p 3

[Interview with S. O. Frantsev, deputy chief of the Directorate of the International Commercial Administration of Civil Aviation, by VOZDUSHNYY TRANSPORT correspondent K. Udalov: "Airbuses for Aeroflot"]

[Text] Beginning in January this year, representatives of the Ministry of Civil Aviation, the MKU GA [International Commercial Administration of Civil Aviation], and the TsUMVS [International Air Services Central Administration] held a number of consultations and discussions with leading Western leasing and aircraft manufacturing firms on the possibility of leasing or purchasing Western wide-bodied aircraft for Aeroflot in the near future. A working group was set up at the Ministry of Civil Aviation headed by Deputy Minister A. Aksenov.

Our correspondent met with S. Frantsev, deputy chief of the Directorate of the International Commercial Administration of Civil Aviation, and asked him to respond to a number of questions related to the signing of a memorandum of understanding with the Airbus Industrie consortium.

[Udalov] Sergey Okteriyeovich, the first question, naturally, is why is it necessary to lease or purchase Western aircraft. After all, this is a blow to our leading aircraft manufacturing firms to a certain degree...

[Frantsev] Speaking frankly, the MAP [Ministry of the Aviation Industry] really let us down with the delivery of new aircraft. Operation of the obsolete Il-62M aircraft for another 3 to 5 years may lead to irreversible losses of passengers on Aeroflot's international routes, chiefly in the most competitive directions, such as the Trans-Siberian, transpacific and transatlantic routes. Our loss of customers, and consequently foreign exchange, on these routes is a disaster now.

[Udalov] Does this mean that Aeroflot may refuse to use domestic aircraft altogether in the future?

[Frantsev] Of course not. Today Aeroflot is faced with the task of filling the vacuum created by the delay in putting the new-generation Il-96-300 and Tu-204 aircraft out on the routes. But although these airliners are close to today's requirements for economy and comfort, they will not be delivered to Aeroflot in sufficient numbers in the coming years.

[Udalov] Who suggested that we obtain Western aircraft?

[Frantsev] We did, naturally. We have been trying to resolve several complicated problems. First of all, to retain incomes and flights, and to even increase passenger traffic in the future on the basic "foreign

exchange" route—the Trans-Siberian route, linking Western Europe and Tokyo, and to bring Aeroflot up to a higher level of service. We also have proceeded with the intention of providing the passenger with the opportunity to fly nonstop from Moscow to Tokyo or Bangkok, let us say.

[Udalov] What firms are taking part in the negotiations?

[Frantsev] Three leading aircraft manufacturing firms offered their services. Boeing offered the B-747-200, the base version, and the new B-747-400. McDonnell-Douglas offered the MD-11, and the West European consortium Airbus Industrie offered the Airbus A300 and A310.

[Udalov] What were the firms' financial conditions?

[Frantsev] This was one of the key factors in the negotiations. Under the new conditions of foreign exchange self-financing to which the sector has shifted, Aeroflot can no longer count on state credits. In order to acquire foreign aircraft, we must rely completely on our own foreign exchange assets. For this reason, the Ministry of Civil Aviation working group had to make a difficult decision that was carefully considered. Which firm's aircraft should be given preference, and how many are needed, based on the prediction for their cost recovery on the air routes in operation? Which financial offers by foreign banks and leasing companies should be chosen, based on Aeroflot's current foreign exchange availability?

In addition, it should be noted that the basic deterrent in completing the negotiations was the high cost of the foreign aircraft. For example, the base price of the Airbus A310 is 70 million dollars, and the Boeing 747-400 is over 170 million dollars. The cost of the MD-11 is roughly 90 million dollars.

[Udalov] Which firm did you give preference to?

[Frantsev] The fastest delivery time for the new aircraft was 1991 for the A310, and the most favorable conditions for us were offered by the Airbus Industrie consortium, with which we signed the memorandum of understanding.

[Udalov] But what were the offers from the other companies?

[Frantsev] We can mention this now. We did not touch upon the financial aspects, but as far as the delivery times, they promised us the MD-11 only by 1994, and Boeing promised the 747-400 in 1996. And this is precisely the period of time we need to retain Aeroflot's passengers on international routes.

[Udalov] How did they manage to agree on deliveries of airbuses in such a short period of time? After all, according to Western press reports, Airbus Industrie's orders are scheduled nearly 10 years in advance.

[Frantsev] This result may be explained by the tremendous political and economic interest displayed toward the Soviet Union in the countries of Western Europe because of the USSR's new policy and partly by skill in the negotiations. The memorandum was signed for delivery of A310-300 airbuses. Moreover, the firm is committed to train three crews for each aircraft and to "put them in service" in one of the Western airlines which are using these airliners. The remaining crews will be retrained for the new aircraft at Aeroflot's expense.

[Udalov] What are the conditions under which Aeroflot acquires these airliners?

[Frantsev] The A310's are being acquired by lease-purchase, with transferral to Aeroflot ownership in 10 to 12 years. Taking the cost recovery and operating expenditures into account each airbus, according to the economists' calculations, will bring in a profit of 5 to 6 million dollars annually. This is only the foreign exchange, and the national economic gain? Even if we consider only the fuel economy and the low operating costs, the savings in rubles will be even higher. By the way, five A310 airliners will replace no less than 12 of the obsolete Il-62M's on the air routes, so the advantage here is obvious.

[Udalov] Is the purchase of Western aircraft for domestic routes being planned?

[Frantsev] No. This is not the question as of today.

[Udalov] And a final question, Sergey Okteriyevich. Don't you feel embarrassed that the Soviet Union—a great air power—is now compelled to buy Western aircraft?

[Frantsev] No. I have no such feeling. I am certain that no modern airline should be uneasy about making use of the best that the world aircraft industry can offer today. For example, if our KB's [design bureaus] offer the best cargo aircraft in the world, we will acquire them. But if more competitive passenger aircraft make their appearance tomorrow, no one will have any doubts about purchasing them. Moreover, Aeroflot is such a large airline that there is enough work in it for "Il's," and "Tu's," and Boeings and airbuses.

#### Donetsk Airport, Runway Improvements Continue

904H00654 Moscow VOZDUSHNYY TRANSPORT in Russian. 9 Sep 88 p. 1

[Interview with Vladimir Sergeevich Derganov, chief engineer of the Donetsk OAO [Unified Aviation Detachment], by VOZDUSHNYY TRANSPORT special correspondent V. Tseyukov. "Cleared to Land..."]

[Text]

[Tseyukov] Vladimir Sergeevich, the editorial staff is receiving letters in which readers who are Aeroflot customers ask why the airport in Donetsk is being closed

to aircraft for the second year now. And this is taking place basically during a heavy traffic period, the spring and summer.

[Derganov] I can put myself in the passenger's place. After all, in order to get to Donetsk from Moscow, let us say, they have had to first fly to our base airport in Mariupol, and then take a bus or jitney to go farther.

[Tseyukov] That is, the travel time has been extended for 2 hours?

[Derganov] That is for those who have been flying to Donetsk. For the passengers returning, it has taken even longer. They have had to be at the bus station ahead of time, and as you know, at the airport an hour before departure of the flight.

[Tseyukov] But if the aircraft departed at 0500, let us say.

[Derganov] Then the passenger would have no choice but to go to the Mariupol Airport and spend the night.

[Tseyukov] Yes, the Yak-42 has been landing at Mariupol, but have other types?

[Derganov] The Tu-154, for example, has been landing at Voroshilovgrad, Zaporozhye, and Dnepropetrovsk, but aircraft such as the An-24, An-26, L-410, An-12, An-8, and Yak-40 have been landing at Donetsk as before. In other words, the airport has not been completely closed. And aircraft have been landing on the unpaved strip or that part of the paved runway where work has not been in progress.

The difficulty has been that it is necessary to complete operations in order to ensure flight safety: to prepare the runway and remove the equipment and all objects that do not belong there. "To return" the light warning system to its position.

[Tseyukov] Why was it necessary to close the airport?

[Derganov] The runway at Donetsk was paved in 1953, and the last renovation was in 1973. But the runway's deterioration and "aging" were not the only reason for the renovation. Another and no less important reason was the preparation to accommodate the new Tu-204 airliner.

The work which is being done by the "Donbassdorstroy" Trust, was begun in 1986 with renovation of the taxiways.

[Tseyukov] And it is being continued each year?

[Derganov] Yes, in 1988 a 600-meter section of the runway was renovated, and this year they "restored" another 900 meters, and the last 1,000-meter section will be "finished off" next year. If this is translated into money, 850,000 rubles remain to be used.

[Tseyukov] So next year as well, passengers will have to get to Donetsk and fly back by indirect routes during the spring and summer. Couldn't all the operations be carried out right away?

[Derganov] Yes, and some passengers will experience temporary difficulties next year as well. The last time the airport will be closed somewhere for a little over 2 months, from 10 April to 27 June.

The work is being performed in stages in accordance with recommendations by associates from "Aeroprojekt" [State Planning and Surveying and Scientific Research Institute]. Otherwise it is impossible. Judge for yourself: no less than 7 or 8 months are needed to complete the entire renovation. It can only be done in the warm period, that is, when traffic is at its peak. What can be done here?

[Tseyukov] It is now clear that they have resolved the problem, but how?

[Derganov] The Ministry of Civil Aviation has come to our assistance. They removed the problem by redistributing petroleum asphalt in other administrations and allocating it to us. But this is only part of the help we need so much. V. Grishin, the deputy chairman of the oblast ispolkom, and V. Cherkashin, chairman of the oblast committee of "Goskomnefteprodukt," have shown a great deal of concern for the future airport. As a result of their intervention, funds for the petroleum asphalt were transferred to the airport from other enterprises in Donetsk—the cotton combine and the "Donbassshakhtostroy" Trust. And now they will be reimbursed for the amount of this scarce material that is received.

[Tseyukov] As far as I know, other operations are being carried out at the same time as the renovation.

[Derganov] Yes, to provide for drainage from the airfield, for example, and the lighting system is being brought up to date as well. In 1990, the "Svecha-3" lighting system will be supplemented by the complete "D" unit, which will enable the airport to operate in accordance with ICAO [International Civil Aviation Organization] Category II minimums.

**Safety Concerns Close Airport to Tu-Type Aircraft**  
904H0065B Moscow VOZDUSHNYY TRANSPORT in Russian 31 Oct 89 p 1

[Interview with V. Smiganovskiy, commander of the Novyy Urengoy Aviation Enterprise, by VOZDUSHNYY TRANSPORT correspondent A. Mokrousov: "A Runway Without Lights, or How an Airport Became 'Hostage' to a Diesel Tractor"]

[Text] Novyy Urengoy—Since 1 November, the Novyy Urengoy Air Service Office has stopped selling tickets for Tu-154 and Tu-134 aircraft. There is no question that this decision will be unpopular in the city, which about half a

million people fly out of each year. Nevertheless, the commander of the aviation enterprise here, V. Smiganovskiy, is prepared to close the airport to first-class aircraft. Why?

"We cannot guarantee their flight safety," Vladimir Vyacheslavovich explained, "since the power supply for the airport has been provided through a temporary system for 9 years now and it is getting worse each day. In accordance with the technical conditions, we should be handling the 'Tupolevs' only occasionally, although in point of fact we have been accommodating more than 20 per day during the summer and 11 or 12 during the winter. Not one official will be bold enough to maintain that we can operate under such conditions. The collective and I are tired of walking on the edge—we have already had a case in which all the lights on the runway went out during a takeoff and nearly 200 people were saved only because of the Tu-154 crew's skill."

[Mokrousov] In other words, this is a kind of ultimatum?

[Smiganovskiy] No. This is a decision that was forced, taken under the pressure of circumstances. A commission from the administration which was checking our readiness for fall and winter operations has just completed its work in Novyy Urengoy. While there were no substantial criticisms of other patterns, the power supply was acknowledged to be totally unready.

To clarify the picture, I will mention the events of last summer, when a conference of the enterprise labor collective appealed to USSR People's Deputy V. Voskoboynikov, the chairman of the Supreme Soviet Information Science, Transport and Communications Commission. As a result, we were visited by a high-level commission, and they admitted that our claims against the construction workers were justified. A plan was drawn up for the steps to be taken—I don't know how many—but this plan, like all the ones before, has not been implemented. As before, we often provide power to our radio aids for flights from...a diesel tractor. Aviators know what this is fraught with...

[Mokrousov] Is the knot really so tight that there is no other way but to cut it?

[Smiganovskiy] We can say that there is no knot of any kind. Just mere trifles which the contractor, Construction and Installation Train No 700 of the Urengoygazstroy Trust, has no time for—evidently because for 10 years we have "understood the situation" and have been conducting flights. Operations in the power supply section remained good for a week and a half to 2 weeks, completing construction and commissioning four transformer substations, providing a reliable link between an outside substation and our distribution point, as well as drives for their directions. But judging by the current "resourcefulness" of our contractors, they are unable to cope with this.

[Mokrousov] And you will actually close the airport to the "Tupolevs?"



[Smiganovskiy] If nothing is changed, yes. And I am certain the collective will support me in this in spite of the direct financial losses we will incur. It seems that we have no other way out.

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The "Urengoy" topic is not a new one for our newspaper. The first time it came up was in 1982 ("Progress and Long-Term Problems," No 60, 20 May). "It seems that the people of Novyy Urengoy will have to suffer for one more winter," the article stated. In point of fact, they had to suffer for another 7 years, and it was precisely this circumstance that forced Smiganovskiy to make a decision which will make it painful for both the city and the aviation enterprise. A decision which is unlikely to produce enthusiasm among the city authorities, in the Tyumen Administration, and the Ministry of Civil Aviation. But isn't he really right when he says that he cannot walk on the edge any longer?

Let us note that the commander is not making any other demands. Even though, for example, the temporary operations and passenger building, designed for 40 passengers per hour, sometimes "swallows" up to 600. The collective does not have one major house or one place in the nursery school in the city. This does not relate to social problems or even the quality of service; it concerns flight safety, the very foundation of civil aviation's existence. And with all our mighty system of supervision over it and the existence of the USSR Gosavianadzor [Flight Safety of Civil Aviation Commission], it is incomprehensible why only V. Smiganovskiy has decided to take this step

## MOTOR VEHICLES, HIGHWAYS

### 1988 Motorcycle Production Reported

904H0073A Moscow ZA RULEM in Russian  
No 9, Sep 89 p 2

[Unattributed article: "A Few Statistics"]

[Text] The country's eight plants manufactured 1,384,909 motorcycles, motor-scooters and mopeds during 1988. Sports motorcycles are also included in this number

Izhmash [Izhevskiy Machine Building Plant]—375,080, including:

- "Izh-Planeta-4"—2,990
- "Izh-Planeta-5"—76,994
- "Izh-Planeta-5K"—64,763
- "Izh-Yupiter-5"—3,552
- "Izh-Yupiter-5-01"—15,194
- "Izh-Yupiter-5K"—19,138
- "Izh-Yupiter-5-01K"—191,849

Minskiy Motorcycle and Bicycle Plant—227,287, including:

- MMVZ-3.112.11—221,437
- MMVZ-3.112.1—4,877
- MMVZ-3.221 "Kross"—917
- MMVZ-3.227 "Sport"—56

Rizhskiy Sarkana Zvaygzne Automotive Plant—195,764, including:

- "Riga-13"—112,518
- "Riga-20Yu"—533
- "Riga-22"—13
- "Riga-24"—56,302
- "Riga-30"—26,398

Irbitskiy Motorcycle Plant—127,400, including:

- "Ural-IMZ-8.103.10"—118,222
- "Ural-IMZ-8.103.30"—3,166
- "Ural-IMZ-8.201-Kross"—607
- IMZ-8.903—4,875
- IMZ-8.923—249
- IMZ-8.123—281

Kovrovskiy Plant imeni V. A. Degtyarev—126,000

- "Voskhod-3M"—126,000

Lvovskiy Automotive Plant—122,941, including:

- LMZ-2.161 "Karpaty-2S"—117,220
- LMZ-2.161.010—1,421
- LMZ-2.161L—3,640
- LMZ-2.752—509
- LMZ-3.252—151

Kiyevskiy Motorcycle Plant—112,441, including:

- "Dnepr-11.02"—105,094
- "Dnepr-16.01"—6,745
- MV-605ML—602

Tulskiy Machine Building Plant imeni Ryabikov—97,996, including:

- "Tula" TMZ-5.951—12,000
- "Muravey-2M-01"—82,140
- "Tulitsa-02M"
- TMZ-5.301.02—3,856

Of the total number of automotive transport systems manufactured in 1988, 516,191 were motorcycles with sidecars, 318,705 were mopeds, and 85,996 were motor-scooters.

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### Motor Vehicle Fleet Statistics Detailed

904H0073B Moscow ZA RULEM in Russian  
No 10, Oct 89 p 7

[Unattributed article: "A Few Statistics"]

[Text] Based on annual technical inspections, the USSR State Motor Vehicle Inspectorate has obtained a picture

that reflects the composition of the pool of passenger cars, trailers for them, motorcycles, motor-scooters and cycle-cars in private use. Mopeds, motorized bicycles and motorcycles, which are not registered, are not included in this number. Let us cite this data for 1 Oct 1988. The data on the personal transport system pool in the rural area are given in parentheses.

**Passenger cars —14,889,786 (5,133,583) including:**

- ZAZ-965, ZAZ-966, ZAZ-968, and modifications—2,360,947 (823,977)
- VAZ-2101, VAZ-2102, VAZ-2103, VAZ-2104, VAZ-2105, VAZ-2106, VAZ-2107, VAZ-2108, VAZ-2109, and modifications—6,660,894 (2,095,795)
- VAZ-2121—370,251 (196,729)
- “Moskvich-408,” “Moskvich-412” and modifications—2,366,894 (953,948)
- “Moskvich-2138,” “Moskvich-2140” and modifications—1,701,044 (637,229)
- GAZ-21 and modifications—304,159 (95,706)
- GAZ-24 and modifications—370,392 (77,635)
- GAZ-69 and GAZ-69A—15,346 (53,220)
- UAZ-469 and modifications—43,116 (19,647)
- Other models—596,743 (179,697)

**Motorcycles and motor-scooters—15,632,519 (8,390,395) including:**

- “Ural” and IMZ, all models—1,594,105 (903,876)
- “Dnepr” and KMZ, all models—1,280,365 (801,894)
- RZh-49, IZh-56, “IZh-Yupiter,” “IZh-Planeta” and modifications—5,091,495 (2,884,180)
- K-175, “Voskhod” and modifications—2,893,928 (1,636,345)
- Other motorcycle models—3,478,637 (1,720,847)
- Motor-scooters—1,293,989 (443,253)
- Cycle-cars—160,650 (72,678)

**Trailers for passenger cars—264,766 (60,512)**

Quite a few defective vehicles, which were not permitted to be operated, were discovered during the technical inspections. Their percentage in the total number by individual models is as follows:

- ZAZ-965, ZAZ-966, ZAZ-968, and modifications—18%
- VAZ-2101, VAZ-2102, VAZ-2103, VAZ-2104, VAZ-2105, VAZ-2106, VAZ-2107, VAZ-2108, VAZ-2109, and modifications—13.1%
- VAZ-2121—14.9%
- “Moskvich-408,” “Moskvich-412” and modifications—16.2%
- “Moskvich-2138,” “Moskvich-2140” and modifications—13.9%
- GAZ-21 and modifications—21.2%
- GAZ-24 and modifications—15.6%
- GAZ-69 and GAZ-69A—23.8%
- UAZ-469 and modifications—20.8%
- Other models—26.2%

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## RAIL SYSTEMS

### Railcar Shortage Disrupts Plant's Production, Deliveries

904H0015A Moscow PRAVDA in Russian  
11 Oct 89 Second Edition p 1

[Article by L. Drobyshevskiy, Belorussian Transportation Procurator, Minsk: “How Do We Accelerate the Race of Trains?”]

[Text] I recently had the opportunity to visit the Mogilev Khimvolokno PO [Production Association]. The major industrial enterprise that produces synthetic thread and fiber, so necessary for the country, is on the verge of a stoppage. The picture is depressing: everything is clogged up with the finished product, you cannot walk up to the machinery, and there is an extremely dangerous risk of fire.... This is a paradox: a worker's collective that is successfully fulfilling the plan violates contractual obligations regarding almost two thousand partners.

Seventeen million rubles' worth of output has not been supplied on time. As a result, production has ceased at Kursk's Tekhnokan, at Korablino and Chaykovsk; Artificial Silk Cloth Combines, and at Pavlov-Posadskiy Linen Combine.... What is the cause of this? The cause is that the Mogilev Railway Division is only supplying half the railcars required by Goszakaz [State Order] to transport freight.

A number of other major enterprises of the republic are in similar situations. For example, Belaruskaliy and Bobruyskshina.... More than 3,000 railcars with imported freight, nearly a week's work, is accumulating at Brest Station for this very reason. Last year, the railroad paid the West European Railroad more than four million rubles for late unloading.

Each fall Belorussia, shipping more than a million tons of potatoes to Moscow, Leningrad, the Far East, and to the Republics of Central Asia and Kazakhstan, chokes on a shortage of covered railcars. The MPS [USSR Ministry of Railways] considers potatoes to be a seasonal freight and therefore is not particularly concerned about providing the railroad with empty railcars. Last September it received up to 70,000 fewer covered railcars than it was supposed to. The situation has not changed at present.

They now have to seek out railcars locally, at the expense of manufacturing enterprises. As a result, a real war is flaring up between the plants and kolkhozes—who against whom? Belorussian rail workers are also suffering: recently they have paid about 2 million rubles in fines. Why am I siding with the MPS? Its leaders plan the train situation and they provide the railway with rolling stock.

When is the solution? It is proposed by life itself: toward the fashion of hard work, we need to seriously prepare not only the agroindustrial workers but also the USSR Ministry of Railways. In accordance with the Law on State Enterprises, it would be proper under conditions of regional cost accounting to hold the Ministry materially responsible to the railway for economic inflexibility and on the other hand hold the railway responsible to the divisions. Responsible ministry officials also have to have a vested interest in the optimal organization of transportation.

Inspections conducted by the Belorussian Transportation Procurator show that faulty transportation regulations introduce enormous confusion into operations. The USSR Railways Charter, which was adopted a quarter of a century ago, is clearly obsolete and some of its provisions have been transformed into impediments today.

In particular, a payment system for washing out railcars, which is supported by the charter, has introduced much confusion. In practice, the interests of the railway workers have been placed above that of their clients. At one time all of this was perceived as proper, but times are changing. Total cost accounting and self-financing require economizing of every ruble. Therefore, enterprises have begun bringing suits to State Arbitration on counter penalties for charges for washing railcars if the work was not conducted or there is no evidence of completed work. For example, Svetlogorsk Cellulose and Paper Plant managed to get a 160,000-ruble refund of the 200,000 rubles which they were illegally fined.

Or this curiosity. Station workers can charge twenty two kopecks for one hour of excess idle time for one covered railcar but the client will pay 1 ruble 20 kopecks! The question arises: What is more profitable—to hold the car at the station for several hours to form a larger load of freight and to increase the train's average weight, or to more rapidly send it on its journey? In short, you need to learn how to calculate it differently under economic accounting conditions.

The transportation procurator has frequently raised the issue of faulty freight regulations and violation of them before the MPS and foreign trade associations but radical changes in insuring freight capacity, accelerating railcar turnover, changing the principle of executors responsibility, and improving the planning process are still not seen.

Under conditions of economic reform and regional cost accounting, an examination of outdated norms of the USSR Railway Charter and elaboration and adoption of the bases of transport legislation have acquired a special urgency. We need to keep pace with life. Then even the railcar race will speed up.

#### **Railcar Shortage Slows Refinery Production**

904H0018A Moscow GUDOK in Russian 15 Oct 89 p 2

[Article by A. Loginov, assistant editor for the Department of Operational Work of GUDOK: "Fuel Is Available, But What About Tank Cars?"]

[Text] Owing to an absence of tank cars, the Novo-Gorkiy Petroleum Refinery is almost at the point of ceasing operations.

It can be stated with no exaggeration that a catastrophic situation has developed at their petroleum refinery in connection with the shipping of its products. During the first 10 days of October, the obligation to consumers in our country and to purchasers abroad amounted to 40,000 tons and since the beginning of the year—300,000 tons.

"The Gorkiy Branch and the railroad's administration," stated the deputy general director S. Anishchenko with indignation, "tasked an enterprise with supplying only a limited number of tank cars. Over a period of 9 months, our supply of them was short by 16,000 units. Our fuel storehouses are completely filled and we had to halt the powerful petroleum refining units and shut down the pipeline through which the raw material flows from Western Siberia. This then is the reason why the enterprise is unable to fulfill its contractual obligations and why the manual and office workers have been deprived of their bonuses and a portion of their wages."

It has been said that the situation is worse than it ever has been in the past. Within the railroad branch, one fact pertaining to the transport service is being repeated over and over again: we do not have tank cars and the ministry has reduced its regulation. Truly, regulation of the task is not always being carried out. But it is a miser—29 tank cars at a time when the shipment plan calls for 800. The principal reserve—the use of empty cars after they have been unloaded in the service region for the Gorkiy Railroad. And this includes 12 oblasts and autonomous republics of Volgo-Vyatskiy Kray and the Central Volga region. Products come here for discharging not only from the Novo-Gorkiy Plant but also from other enterprises, particularly from Kuybyshev Oblast. With regard to the notorious regulation, the deputy chief of the transport service for liquid freight, V. Tolstykh, and the recent chief of this service and presently the deputy chief of the railroad, M. Rybalko, do not concern themselves properly with the handling and accelerated movement of empty cars to the loading areas.

"However hard we try, it is impossible to find an adequate number of tank cars on the railroad," stated Comrade Tolstykh in a tone of despair.

Strangely, it is almost as though unknown to a leader the cars stand idle for days. The schedules for completed movements must be examined and the daily reports must be reviewed in order to be able to understand the turn-around of a so-called local tank car was overstated by 4 hours and that of a working tank car—by 8 hours. And these are not mythical but fully realistic tank cars. In particular, many of them are accumulating at stations of the Izhevsk, Kazan and Kirov branches. Some of them remain idle for weeks and even months in the unloading areas. As a result, up to 300 tank cars are removed from

the transport process each day. This number would be sufficient not only for fulfilling but also over-fulfilling the pre-winter transport plan for fuel.

There are also some other considerable reserves that are concealed by a shroud of secrecy. I have in mind the 1,000 so-called chemical tank cars that are concentrated at such stations as Igumnovo, Dzerzhinsk and others. They can and must be washed, steamed out and placed in operation at these same chemical enterprises. But nobody appears to want to concern themselves with this work because of its burdensome nature. And indeed the picture is the same on a number of other railroads. According to the chief of the Administration for the Shipping of Liquid Freight and the Regulation of Freight Car Pools, V. Kvitko, the shippers and particularly the chemists and metallurgists left 37,000 tank cars in dirty condition and refused to correct the situation or to organize the installation of ventilators.

Is our country really unable to impose justice upon those who leave our railroad transport fixed capital in unsuitable condition? Elementary mismanagement is causing great harm when tank cars arrive from the unloading points containing large amounts of oil product residues. A great amount of time is required for cleaning them. Or a plant requires containers for dark products and only those for light products are received. Certainly, they can be loaded, but who will bear the additional expenditures of time and resources for washing and steaming the tank cars? Thus a need exists for an efficient system for selecting the mobile stock according to the types of products and by nomenclature. And the guilty party in the matter of distribution is not only the commanders of the Gorkiy Railroad but also the main administration for transport operations. Once again we are confronted by emphasis being placed upon the notorious gross output.

The petroleum refinery personnel have many fair complaints concerning the technical and commercial condition of the rolling stock. "Bad" containers are often being supplied for pouring operations not only from dispatcher sectors and from neighboring railroads, but even from the freight car depot of the Gorkiy marshaling yard, where the tank cars undergo capital repairs. Defects are uncovered on trestles, when fuel is observed pouring from a boiler onto the track. A merry-go-round commences: an unsuitable tank car must be removed from a train and the fuel poured from it. The chain of losses increases.

At one time, these and other discrepancies were discussed in GORKOVSKAYA PRAVDA and GUDOK and yet they still have not been corrected.

"The railroad workers have still not built the promised trestle for inspecting the tank cars which arrive for pouring operations," stated the chairman of the plant STK [labor committee council], A. Skibenko. "Thus the fuel losses are continuing. The shipping of fuel is being held up and the branch railroad is not undertaking measures aimed at correcting the under shipments

caused by the railroad workers. And the spur tracks of an enterprise have one foot in the grave. We have the means but our allied workers appear to be in no hurry to furnish assistance in laying out the required track.

In all probability, it would be inadvisable to transfer the industrial spur track of an enterprise over to the balance of the Gorkiy Maintenance Section, as has been done in a number of areas. A question has arisen regarding the radical modernization of a local washing and steaming station which has not been satisfying the needs of the plant. The time is at hand for establishing additional stations on the railroad for forming special purpose routes to Zeletsino.

Formerly, our publications contained criticism of the plant workers for the above-normal idle time of tank cars. The necessary conclusions were drawn and now for the second year in a row the idle time during loading is lower by half an hour. Alas, the railroad workers cannot be praised for such zeal. At the Gorkiy terminal, not to mention other more remote stations, it makes no sense for dozens of needed tank cars to remain idle. They often accumulate at the Kstovo Station, which is 7 kilometers from Zeletsino and the so-called assembled trains—together with boxcars, open freight cars and flat cars. It is for this reason that the fuel shipment plans prove to be of no avail and for lack of them the equipment lies idle in some areas.

#### Our Commentary

Once again the truth is borne out: when problems develop in railroad transport, many branches of the national economy become concerned. The lines at motor vehicle gasoline stations grow longer—there is a shortage of gasoline. Announcements are heard at airports concerning the cancellation of trips "due to technical reasons"—a shortage of aviation kerosene. And in some areas they begin extinguishing fire boxes—smaller amounts of heat and electric power are available and so forth. However, it turns out that we have gasoline, kerosene and crude mazut, but we are unable to deliver it to the consumers and thus the work of the petroleum refineries is held up.

I requested the chief of the Operations and Dispatching Department of USSR Minneftekhimprom [Ministry of the Petroleum Refining and Petrochemical Industry, I. Sidorov, to comment upon this situation.

"Initially, allow me to mention the Novo-Gorkiy NPZ [petroleum processing plant]. It is constantly disturbed over a shortage of tank cars. An entire delegation came from there and toured a number of departments. Subsequently, in September—the only month since the beginning of this year—the work it can be said proceeded normally. And in October once again there was a slump."

Here is the data for the first 10 days of this month. Crude and marine mazut accumulated at the plant in the amount of 100,000 tons, kerosene—40,000 and diesel

fuel and gasoline—26,000 tons each. As a result, during the last 3 days alone the plant did not process 13,000 tons of petroleum.

And what about the country on the whole? Which regions in particular are experiencing a slow-down?"

"During this same period in October, because of failure to ship the NPZ products, the refining of petroleum was lowered by almost one quarter of a million tons. Of this amount, Grozny accounted for 86,000 tons, inasmuch as 100,000 tons of mazut had accumulated at this point. The consumption region—the North Caucasus and Trans-Caucasus, with a portion being shipped abroad through Batumi. The reasons are well known here why petroleum refining operations in Batumi have been paralyzed."

"Lyudmila Vasilyevna, judging by statistics, insufficient mazut shipments are holding up the work of the petroleum refining personnel."

"Yes, and there are two reasons here for this: a shortage of rolling stock and the fact that Goskomnetteprodukt has not provided the addresses and volumes for the mazut deliveries. Perm has a firm hold on light products, although crude and marine mazut are also to be found there. Recently the situation has become complicated at Privolzhskiy and at plants in Saratov and Volgograd. Thus, in Volgograd the lag in the shipment of automobile gasoline over a 10-day period amounted to 19,000 and for diesel fuel—37,000 tons. And mazut—21,000 tons. Approximately 70,000 tons of it accumulated in Omsk; far eastern mazut is not being accepted. At the very opposite end of the country—on the Northern Maritime Line—the same mazut is being employed by petroleum refinery workers in Yaroslavl—on 100,000 tons plus 40,000 tons of it accumulated at a small plant in Ukhla."

"And what is the situation in the Bashkir ASSR?"

"Here the principal portion of the output is still being accepted by the river workers, but they have encountered delays in connection with reforming it for rail shipments."

Further—a discussion with the Department for Liquid Freight Shipments of the MPS [Ministry of Railroads]. A task: And now look at an overall evaluation of the shipping situation, then it develops that a lack of balance in the inventory line system is associated to a considerable degree with the elements. On the one hand, the natural elements, from 1,200 to 2,000 tank cars carrying mazut being held up and not being accepted by the Eastern ports over an extended period of time because of the arms-wielding in Nakhodka commencing 18 September and a demonstration against fuel deliveries was immediately held and again commencing 7 October.

On the other hand, there is also the Far East cement. Dozens of trains have been held up on the Azerbaijan Railroad—3,500 tank cars carrying fuel for Georgia and

Armenia. Thirdly, there is the man-made factor: approximately 600 tank cars carrying fuel have been lying idle for an extended period of time at the Finnish border as a result of various discrepancies, recently discussed in GUDOK.

The list of man-made reasons for these transport problems could be continued; they are very similar to those cited in the report from the Gorkiy Railroad. As a result, in mid-October the surplus of tank cars carrying local freight over the network amounted to more than 3,500 and almost the same number were not readied for the assigned turn-around. An especially unfavorable situation developed on the Far Eastern Railroad, where their presence in the working pool amounted to 132 percent. On the Trans-Baykal—113 percent and on the Oktyabr Railroad—112.

It bears mentioning that a reduction in the administrative staff on the Oktyabr Railroad eliminated the pouring department and thus now for all practical purposes no specific person bears responsibility for the fuel shipments. Does this not serve to brush away the former "introduction" of the Belorussian method? Initially we reduce and then later we recall suddenly and return. . . . And on the Belorussian Railroad the surplus amounts to 804 and the discharging for turn-around—160 tank cars. On the October Railroad the figures were 431 and 262).

The situation is somewhat better for railroads in the center. Another distortion is being experienced on the Kuybyshev Railroad. Whereas other mainlines are unaware as to how to ship mazut from the plants, here on the Bashkir Branch, during 10 days in October, the shipment plan was not fulfilled by 3,590 tons owing to a shortage and yet the task for far was exceeded by 1,530 tons. But such a plus could turn out to be a minus: this product is more viscous and the shipping of it will be complicated by the oncoming cold weather.

In short, many difficulties have arisen in connection with petroleum product shipments and thus a need exists for undertaking unique measures and for considering all of the nuances of the situation in the interest of normalizing the situation.

#### Winter Coal Delivery Problems Cited

064100191 Moscow GUDOK in Russian 17 Oct 89 p 1

[Article by A. Loginov: "A Coal Rush Job: Reflections After a Joint Meeting of the Collegiums of the MPS, Minugleprom, and Minsprom"]

GUDOK reported on 14 October that an alarming situation has developed in connection with the deliveries of coal to the enterprises in the country's stocks and in a sharp conversation of the representatives of the three ministries concerning the need for urgent measures. Why has this happened? How do we manage to become the situation which has emerged. After all, coal is not only "the bread of industry" but also the heat and light at our work stations and in our homes.



Could it be that the miners have failed to produce the tons planned due to the strikes which swept the coal basins this summer? Alas, it is not so. Ye. Krol, chief of the transportation administration of the Minugleprom [Ministry of the Coal Industry], told the audience that "It is necessary to note that the well-known July events are largely due to our joint activities," and called on them to eliminate existing differences in the planning and performance of transportation operations as soon as possible.

Let us forgive the ranking functionary for the diplomatic veil drawn over his wording. Perhaps, even in this time of glasnost he did not want to needlessly use the word "strike" and shift to his colleagues some of the blame for "the well-known events."

However, let us call a spade a spade. Whether it is the fault or the misfortune of the railroads, they owe it to the miners who (despite the events mentioned!) produced 2.5 million more tons of coal than the plan called for in the [first] 9 months. Meanwhile, 18.9 million less tons of coal were shipped to the consumers, and 20.5 million tons less compared to the same period of last year!

The lack of open cars is the reason. This reason is a part of a chain of companion reasons: excessive idle time while being unloaded compared to norms, failure to comply with regulatory discipline on the part of railroads delivering empty cars, and so on. Of course, serious losses occurred due to the events in the Transcaucasian republics and in Moldavia.

Be that as it may, the coal industry is submitting a bill. In the course of 9 months, the railroads failed to deliver 536,000 cars for loading! Out of this, 177,000 were on the Kemerovo Railroad, 143,000 on the Donetsk Railroad, and 99,000 on the Iskhna Railroad.

In analyzing the reason for coal overstocks, the coal industry finds the main reason in the lack of correspondence between the assignments for fuel mining and deliveries and the plan for the shipment of fuel which is set for the railroads on a quarterly and monthly basis. Supposedly, these plans are always smaller than the needs of the miners; this means that a surplus exceeding the plan is unavoidable given this approach.

The imperfection of our planning, and at all levels, it that, is known. Switching (or being switched) to economic accountability has not resulted thus far in radical changes in plan development. The Minugleprom [Ministry of the Coal Industry] sets the program for the Kuzbass, and the MPS [Ministry of Railroads] for the Kemerovo Railroad proceeding from its potential. So, the volume of transportation is set at a somewhat lower level than the miners may produce (the opportunity to overfulfill it being provided?). However, if this "opportunity" is not taken advantage of and the railroad is "swamped" another way out must be sought or else. It was said in a short communication of the collegium of the three ministries that the Kemerovo Railroad has not been fulfilling the plans of fuel shipment since January

to the shortage of empty cars. This needs to be made more precise: "since June of last year..." That is to say, not for 4 months, but rather for a year and 4 months (!) in a row the railroad has been failing to fulfill the plan. If this were to be looked at in the categories of complete economic accountability, would it not be a complete bankruptcy?

We will talk about it below. For now, however, let us look at the situation of the coal industry in the basin which the railroad serves. Twelve million tons of coal, or twice the amount provided for by the norms, ended up at the storage facilities of mines, opencast mines, and coal-washing plants of the Kuzbass. At eight large mines and five opencast mines, further storage is impossible, and the output has been cut back. At 11 enterprises of the basin, coal is burning.

The schedule for shipping coal from the Kuzbass and other coal basins which was previously developed and confirmed by the USSR Council of Ministers is not being fulfilled. Enterprises of the coal industry are experiencing a most acute shortage of timber for mine support. Last year, over 900,000 cubic meters of it were not delivered; at the beginning of this year, reserves were at one-fifth of their volume envisaged by the norms. For the first half of this year, the deliveries of pit prop were planned at 47.8 percent of the annual quota, and were 94.8 percent fulfilled (182,000 cubic meters were not delivered).

For the third quarter, the plank for the deliveries of mine support was set somewhat higher; however, the timber industry and the railroads lowered it having fulfilled the increased plan in July only 83 percent. The Council of Ministers had to intervene yet again; however, in August the shortfall was no smaller.

At a joint meeting of the collegiums, representatives of the Minlesprom [Ministry of the Timber Industry] also attributed their failure to fulfill the plans and delivery schedules for mine support to the continuous shortage of the rolling stock. In turn, the miners (as well as the railroads) are experiencing an acute shortage of ties and switch ties the needs for which are met at 50 and 14 percent respectively.

Let us note that the spur rail yard lines of the Minugleprom are many thousands of kilometers long. Every year, up to 1,500 kilometers of the track are repaired, of which approximately one half undergo capital and medium repairs, in order to ensure the stable operation of the industry (millions of tons of coal are delivered by the railroads on its own cars and engines to coal-dressing plants and later to the consumers). Perhaps, it is easy to imagine how the chronic, year after year failure to make a complete delivery of the aforementioned ties and switch ties hampers putting the spur lines in order, and how quickly this hampers them to up the very open cars which are in a very short supply.

The timber industry also lacks such cars. The industry may be tempted to ask reluctance for use flatcars for

hauling timber. However, it is easy to understand: The flatcars are more trouble. There is no choice, though...

The coal industry begged and demanded: "Pit prop first of all!" The coal industry and railroads together said that ties and switch ties are urgently needed, ship them too!

The answer was: You give us the cars! We are failing to meet plans for the delivery of lumber to construction projects. Sometimes you cannot find your way to mine timber and ties through the stacks of lumber. Due to the continuous lack of rolling stock, loaders are dismissed, and the timber produced is stored for years at downstream warehouses rotting away.

... The plan is up in the air. The coal which has not been shipped out is on fire turning into ash. The editorial mailbag yields new statements of collective alarm: "We ask you to publish our open letter to the deputy minister, the chief of the transportation administration..." They name addresses and the freight awaiting its fate—cement, fertilizer, fuel, foodstuffs, and consumer goods.

As you listen to all these statements, including those made in ministerial chambers, a heretical thought occurs to you. Why shouldn't we reduce the plan for coal mining (instead, we are in a hurry to mine above the plan!) at least by the amount which, as we know, will end up at the mine storage sites and burn without keeping anybody warm. Why cut down the timber which (we also know that!) will rot without being shipped away from the warehouse or even from the cutting area... Why grind more stone into cement knowing in advance (we should know, after all!) that it will turn to stone again.

So, all such "spare goods" are to be collected (what a saving of resources and funds this would produce!) and allocated for what we lack and what hinders us. Transportation is what hinders us—the lack of cars and engines, of carrying and haulage capacity, its "well-worn" tracks on which you cannot move too fast...

I am sure that if a similar joint meetings of the collegiums of the MPS and two or three, or even a dozen, other ministries were to convene tomorrow we would hear the same well-grounded (!?) complaints about the railroads... I do not by any means believe that all the railroads and their divisions are working impeccably, that there are no miscalculations, mistakes, and violations. However, when the Kemerovo Railroad fails to fulfill the plan for coal shipment 16 months in a row (nobody has complained about its chief: The common opinion is that he is a young, energetic, knowledgeable engineer), it means that the disease is not local in scope but, so to say, occurs on the entire network.

Regulatory discipline is hardly the way to cure it. Undoubtedly, such discipline is needed. However, when the command from above "Empty cars to be delivered for coal loading only!" is complied with contrary to the economic logic and economic considerations, when we rush from one overstock of supplies to another without carrying freight only because this is the thing to do (?),

someone is definitely going to be shortchanged. One blanket is not enough to cover all.

However, orders are given to be fulfilled. According to the order, the Kemerovo Railroad should ship no fewer than 7,000 cars a day, the Tselina Railroad (Ekibastuz)—3,600 cars. In September, the Kuzbass shipped slightly over 6,000 cars with coal [daily], whereas on 9 October it was as many as 6,754, and on 10 October—6,822. On the entire system, the increment was likewise perceptible. Let us compare: In September, 27,868 cars were loaded daily on the average, whereas between 1 and 5 October, 28,700 cars, and between 6 and 12 October (the day of the joint collegium meeting)—29,536!

This is not the limit, more is needed! Since the "blanket" is too small and tugging at it is too dangerous, the MPS made a sacrifice: they decided to put to use within a month railroad shuttle trains made up of dump cars and hopper-batcher in order to increase the volume of coal transportation.

Perhaps, in a critical situation such means may also be used. However, when the critical situation mounts, this is called a crisis. USSR People's Deputy V. Kolesnikov, who was later elected the chairman of the railroad transportation subcommission of the Supreme Soviet of our country, mentioned this very danger in his June interview to a GUDOK correspondent. He noted that 2.7 percent of the national income was allocated for transportation, or almost 3 times less than in the 8th 5-year plan. In developed countries, 3 times more is allocated.

Such "growth rates" are dangerous. One day, we may come to the point when no rush-job shuttle trains will help us out.

### Officials Review Railcar Shortage Incidents

904110019B Moscow GUDOK in Russian 17 Oct 89 p 1

[Article by L. Kizilova: "'Roll up Our Sleeves'"]

[Text] On 12 October, the press carried an open letter by the AUCCTU [All-Union Central Council of Trade Unions] on the alarming situation in railroad transportation.

Next day, a telephone conference was held in Moscow on Shabolovka Street. Leaders of transportation, trade, chairmen and secretaries of the central committees of industry trade unions were in attendance. In the field, leaders of trade union, transportation, and trade organizations also took part.

As AUCCTU Deputy Chairman I. Klochkov who chaired the meeting reported, the letter published was caused by numerous appeals to the AUCCTU and the alarm expressed in them with regard to the shortage of goods in stores and the backlog of freight at the stations and in the ports.

The situation is critical indeed. However, is it that unexpected and unpredictable? Both the empty store counters and the overstocked stations are topics which have become continuous "staples" in the pages of newspapers. However, "objective" causes for all shocking developments used to be found.

Now we have an emergency. The commanders of industry headquarters are showing alarm and confusion as if they were being faced with a great revelation. We've got to make up the losses. As I. Klochkov observed, everything has got to be normalized before the October holidays.

They discussed how this is to be accomplished.

Let us mention just the main statistics and proposals.

First Deputy Minister of Railways V. Ginko spoke about what is acute: The shortage of rolling stock has been felt on the railroads continuously. This year, the situation has become more complex. At present, the country loses 30,000 cars tied up in unloading. Especially many cars, including those carrying consumer goods, have accumulated on the Belorussian, Lvov, and Moldavian Railroads. Meanwhile, within several days 300,000 tons of potatoes from Poland and 150,000 tons from the GDR need to be hauled. A large amount of cars needs to be dispatched to the port railroads and those adjacent to the border. Meanwhile they are tied up on railroads inside the country. In the RSFSR [Russian Soviet Federated Socialist Republic] alone, unloading of 9,680 cars is not performed daily.

Six thousand empty containers are lacking for shipment to India in order to pick up cargo.

V. Ginko appealed yet another time to the managers of motor vehicle transportation enterprises: "Give us more trucks!" Publications in GUDOK have been calling for this for a year now.

"Organize around-the-clock operation of warehouses and storage facilities in trade and at enterprises!"—this appeal is not new either. Life itself has been suggesting the need for such schedules day in and day out.

One who has heard the speech of Deputy USSR Minister of Trade P. Kondrashov at the meeting is no longer surprised by the reasons why the voice of railroad employees has not been heard yet.

"We should roll up our sleeves and get to work!", "Maintain heightened performance through the end of the quarter!"—these are the phrases which describe the tone of his speech. Why is it taking the leaders of trade so long to roll up their sleeves? Why do they want to maintain heightened performance only "until the end of the quarter" and not on a regular basis? Why have they only recently begun talking about the need for the round-the-clock operation of warehouses and storage facilities? Why have they not organized the sales of goods which are stuck at the stations before, but have now grasped the need for it?

V. Ginko referred to the "AUCCTU initiative." Perhaps, initiative should have been displayed sooner, and not by the trade unions alone.

By now, as a USSR deputy minister of the maritime fleet informed us, 379,000 tons of grain, 94,000 tons of sugar, 5,600 tons of tea, 7,300 tons of cocoa and coffee have accumulated at the ports. After all, they have not appeared there overnight or fallen out of the sky.

How could the arrears in meat [deliveries] be allowed to occur in Moscow, the justification being the lack of refrigeration facilities whereas in many cities of the Moscow area the counters are empty?

At the conference, they planned their measures and called for unity in action. Work on days off is in store for us; funds for piece work will be found; employees of enterprises will be drafted for help. All of us together will tackle it. We will overcome the artificially created difficulties—are we not good at that? One thing we have to learn is not to create them.

### Computer Aids Rail Operations

904H0019C Moscow GUDOK in Russian 17 Oct 89 p 1

[TASS report: "Electronic Dispatcher"]

[Text] Dispatchers of the Komsomolsk Division of the Far East Railroad have acquired an efficient helper. A terminal controlling the traffic and processing of trains carrying liquid fuel has been commissioned here. Within seconds, the computer can produce information on the location of any tank car with fuel on the section between Khabarovsk and the Pacific Ocean.

Chief of the railroad division I. Leonov said: "The new system of real-time control is the result of carrying out a program for improving the utilization of rolling stock. Due to computerization, we have been able to solve the problems of freight classification, management of production processes, and greater safety of traffic."

At present, just several people control the movement of trains over the entire division using automation and electronics. In the event of improper actions by them the equipment interferes which can block unjustified commands. Due to this, safety has improved; the carrying capacity of the railroad has increased by a factor of 1.5; the idle time of rolling stock has been reduced. In addition, manpower needs declined by about 600 people.

### Work Begins on Alma-Ata Metro

904H0019D Moscow GUDOK in Russian 17 Oct 89 p 1

[TASS report: "Alma-Ata Metro: The Initial Meters"]

[Text] Having smashed, in keeping with a tradition, a bottle of champagne, team leader of a metro construction crew V. Demchenko sent on its voyage an "underground ship"—a unique tunnel shield. The digging of the

left tunnel span between the stations of Oktyabrskaya and Dostyk (Friendship) began on the first "subway" in Kazakhstan.

O. Alimukhabetov, head of the complex for metro construction, said: "Thus, we have embarked on the stage of main work. We are looking at digging 1,100 meters and completing the digging of this tunnel next year. The tunnel will be put in on the basis of new design features, taking into account complicated mining and geological conditions and a high seismic rating. At the same time,

an electric engine house, an engineering shop, industrial and production facilities, and social and cultural facilities are being built."

Eight stations are planned on the first line. The construction of six of them is already under way. In total, three lines almost 40 kilometers long are envisaged which will connect industrial areas of the republic capital with residential subdivisions via high-speed transportation. In 1997, the Alma-Ata metro will carry the first passengers.

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